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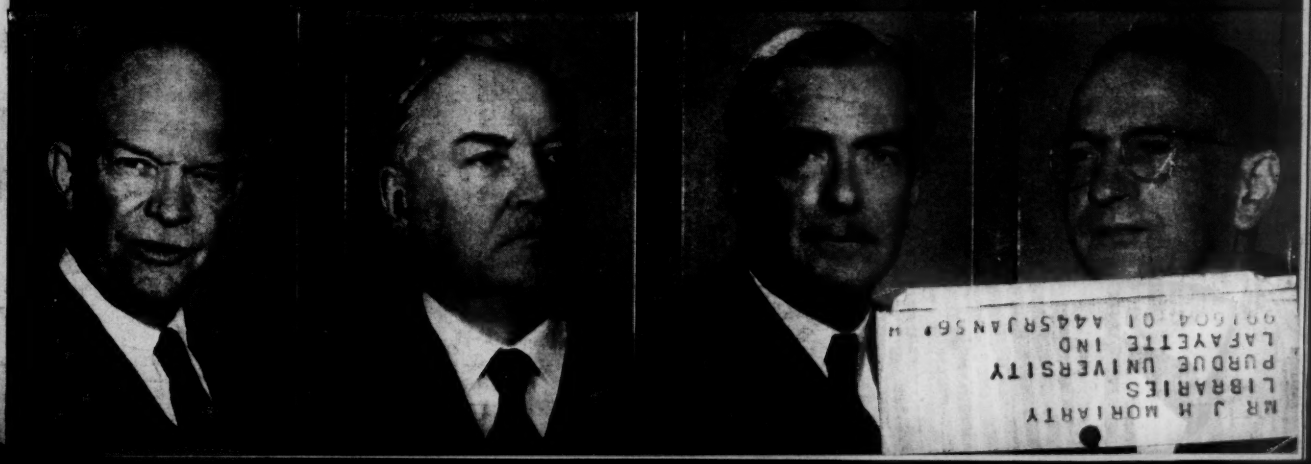

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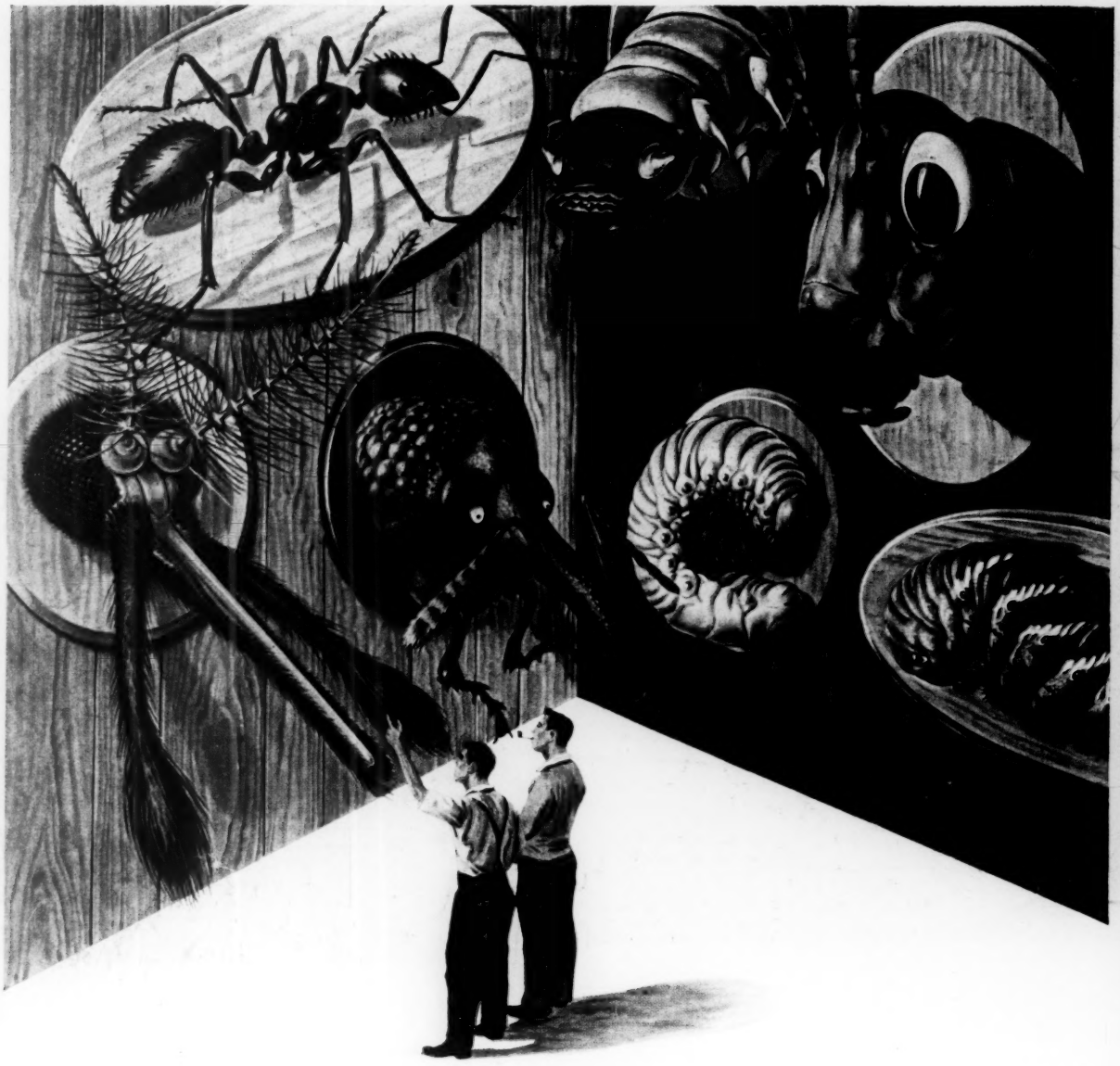

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IN THIS ISSUE

★ The Real Russia: Uncensored Photos

This is an exclusive photo report, with eight pages of pictures taken just a few weeks ago by two Americans who traveled widely through Russia—without either censor or escort. The pictures show workers, homes, towns, even slums Communists try to hide. Photos were taken by Dr. Homer Dodge and Norton Dodge. Page 38.

★ Looking Beyond the Geneva Conference—

You get expert views on what the Kremlin is up to now, by a British observer—page 88; the London *Economist*—page 92; a U.S. air-strategy specialist—page 94. Also, a U.S. military analyst tells what to expect of our allies—page 102.

★ How Serious Are Worries About Inflation?

Some industrial prices now are rising. Wage rates are going up. So is demand. Does this mean that inflation is coming back? For a survey of informed official opinion, see page 28.

★ Contents

March of News 4
Washington Whispers 6
Tomorrow: A Look Ahead 9
People of the Week 12
★War Postponed—How Many Years? 17
★Turncoat GI's Tell Story of Red China 20
Is Inflation on the Way Back? 28
What a President Costs U. S. 30
In Government—Higher Pay at the Top 35
How Safe Is It to Plead 5th Amendment? 36
Exclusive Photo Report:
Life Among the Russians 38
Eisenhower Talks to Nation Before Leaving for Geneva—Text of Address .. 47
Worldgram 51
The Man—The News:
Marion B. Folsom—Accent on Health 54
What South Africa Is Doing to Keep White Supremacy—Interview With Eric Louw 58
News You Can Use 65
Chile: When Prices Run Wild 69
We've Been Asked: About New Annuities 70
Why Transit Lines Are in Trouble 72
Trend of Business 77
Labor Week: Ike's Policy on Strikes 80
Indicators of Business Activity 85
Memo From Japan 86
Red Disarmament Plan "Dangerous Fraud" —by Maj. Gen. J. F. C. Fuller (Ret.) 88
What Moscow Wants:
A Size-Up by the London *Economist* 92
Role of Air Power in Soviet World Strategy—by Dr. Stefan T. Possony 94
How Long Can U. S. Trust Allies? —by Capt. W. D. Puleston, USN (Ret.) 102
News-Lines for Businessmen 106
Finance Week: Where Taxes Hit Hardest .. 108
Business Around the World 111
David Lawrence Editorial 116

COVER: See page 17. (Photo Credits: United Press, Sovfoto and Black Star)

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THE UNITED STATES NEWS

WORLD REPORT

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The March of the News

IKE "LECTURES" CONGRESS

CONGRESS GOT a scolding—and a lecture on constitutional law—from Mr. Eisenhower. The President put his signature on a 32-billion-dollar defense bill and on a message rebuking the legislators. The section of the bill that aroused the President's ire would require Defense Secretary Charles E. Wilson to obtain congressional approval before he could pull his Department out of civilian-type activities such as bakeries and laundries.

Mr. Eisenhower wrote: "The Congress has the power and the right to grant or deny an appropriation. But once an appropriation is made the appropriation must, under the Constitution, be administered by the Executive Branch of the Government alone . . ." Mr. Eisenhower added that he did not "acquiesce" in the provision and would regard it as "invalid" unless overruled by the courts.

While Congress was digesting the President's message, another attack came from the Administration. Secretary Wilson announced he was impounding 46 million dollars voted by Congress to raise the Marine Corps strength, pending further study. Meanwhile, he said, the Marine Corps would continue to pare down its manpower as President Eisenhower had directed.

BY 2000 A.D.—

BY THE END of this century, Representative W. Sterling Cole (Rep.), of New York, expects half of this nation's electrical power to be produced by atomic fuel. Mr. Cole is a former chairman of the Congressional Joint Committee on Atomic Energy.

Atomic power may come to Europe even faster, Mr. Cole believes, because the high cost of conventional power in Europe makes nuclear power look more attractive. "Here in the United States where electricity is now for the most part cheap, the transition from conventional power to atomic power will be relatively slow," the congressional expert predicts.

CRITICISM FROM RIDGWAY

A LETTER from Gen. Matthew B. Ridgway, retired Army Chief of Staff, is stirring up a debate on U. S. military policy. General Ridgway wrote to Defense Secretary Charles E. Wilson just before his retirement on June 30.

General Ridgway suggests that the U. S. is placing too much reliance on nuclear weapons and air power, at the expense of conventional forces. Predicting a time of "nuclear plenty," when even the smaller nations will possess nuclear weapons, the General warns that "under these conditions . . . no nation could regard nuclear capabilities alone as sufficient, either to prevent, or to win a war."

Looking ahead, General Ridgway also makes this prediction: "As the point in time approaches, possibly between 1958 and 1962, when Soviet nuclear weapon and delivery developments will give the Communist bloc the capability of inflicting critical damage on the United States warmaking potential . . . the United States nuclear-air superiority will have lost most of its present significance."

U. S. PAPERWORK

LAST YEAR, 938,000 AMERICANS sat down and filled out Government forms, reporting that they had nothing to report. A poll of small businessmen shows that from 5 to 29 per cent of their time is devoted to paperwork for Government. These are "horrible examples" cited by the latest Hoover Commission task force on paperwork.

Working with businessmen and Government agencies, the task force, headed by Emmett J. Leahy, a management consultant, was able to eliminate over 15 million dollars' worth of useless paperwork costs and to recommend measures that would save 100 million dollars more.

MORE DIXON-YATES

THE WHITE HOUSE killed the Dixon-Yates contract, officially, but Democrats were holding a "funeral" that might last into 1956.

President Eisenhower had approved a contract with a private firm, headed by Edgar H. Dixon and Eugene A. Yates, to build a steam-run power plant to supply Memphis, Tenn. Now, after receiving assurances from Mayor Frank Tobey that Memphis could and would build its own power plant, the President ordered the contract canceled. But Democratic Congressmen immediately let it be known that they were far from satisfied.

A Senate committee went right on investigating the ins and outs of how the contract came to be made in the first place. And a joint Senate-House committee launched an inquiry into how the contract should be terminated. Senator Clinton P. Anderson (Dem.), of New Mexico, sounded the new note for the opposition when he said that "not one dollar" should be paid to the Dixon-Yates firm for damages.

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That's what one company found when it used Long Distance systematically

Recently the sales manager for an eastern electrical company decided to find out how Long Distance could be used to increase sales at low cost.

He called in a telephone company representative. They worked out a plan for integrating Long Distance into the company's sales program. The plan was tried—and results were measured.

The sales manager's summary: "The increased efficiency and additional orders produced by Long Distance are worth as much to us as one more full-time salesman on the road." The cost: only $75 a month.

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These are the daytime Station-to-Station rates for the first three minutes. They do not include the 10% federal excise tax.

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Washington Whispers®

[Items appearing on this page are reported in Washington and other news centers]

White House Bypass Irks Ives . . . New Site for Air Force Academy? . . . Democrats' "Atom Ship"

Senator Irving Ives (Rep.), of New York, is somewhat irked because the White House failed to discuss with him the appointment of Marion Folsom as Secretary of the Department of Health, Education, and Welfare, succeeding Mrs. Oveta Culp Hobby. It is customary to consult Senators about appointees from their home States, but this is not the first time that Senator Ives has been bypassed.

★ ★ ★

At least four White House aides are reported to be planning to write books about their experiences in Government after they leave office. Some of them have been seen jotting down rather copious notes after meeting with the President.

★ ★ ★

Bernard Baruch is being quoted by recent foreign visitors to the U. S. as saying that Governor Averell Harriman of New York is attractive to the Democrats as a presidential nominee because the Harriman family could foot so much of the party's campaign expenses.

★ ★ ★

Some Democrats in Congress believe they are on the track of a paying issue for the 1956 presidential campaign. Their plan is to play up the charge that President Eisenhower is being badly advised and deceived by the men around him. They propose to push this strategy next year in congressional investigations.

★ ★ ★

Senator Estes Kefauver (Dem.), of Tennessee, has no intention of dropping his investigation of the disputed Dixon-Yates contract, even though the contract now is canceled. The Tennessee Senator is reported to be hoping that the issue of public vs. private power can gain him as much support for the Democratic nomination in 1956 as his crime investigation gave him in 1952.

★ ★ ★

Democrats' strategy to try to put their party's label on President Eisenhower's proposals is repeated in plans for an atomic "peace ship." Democrats in Congress have rejected the Eisenhower plan, but are coming up with one of their own.

★ ★ ★

V.K. Krishna Menon, Indian Premier Nehru's roving ambassador, will have to report failure on his recent visit to the United States. Mr. Menon's primary purpose was to arrange for direct negotiations between the U. S. and Red China. Secretary of State John Foster Dulles refused even to consider this suggestion.

★ ★ ★

Soviet Russia is having trouble again this year in harvesting its grain crop. The Soviet press complains that, in many parts of the country, needed machinery is not being delivered on time and that parts are lacking for much of the machinery that is on hand.

★ ★ ★

Dmitri Shepilov, editor of *Pravda*, Communist Party newspaper, has been promoted to be a secretary of the party's Central Committee. He is reported to be in line to succeed Vyacheslav Molotov as Soviet Foreign Minister. Shepilov is part of the faction headed by Nikita S. Khrushchev, Communist Party boss.

★ ★ ★

State Department experts on Russia are more convinced than ever that there is no single man at the "summit" in Russia. The fact that all top men in the Soviet Government are going to the Geneva Conference is cited as evidence that Russia is run by a committee.

★ ★ ★

David J. McDonald, president of the Steelworkers Union, still faces rank-and-file opposition despite the hefty wage increase he managed to get from the industry. The opposing faction plans to run an anti-McDonald man for a vice-presidential post to be filled soon.

★ ★ ★

Stuart Rothman, Labor Department Solicitor, is being considered for appointment as Chairman of the National Labor Relations Board to succeed Guy Farmer, whose term expires next month. Mr. Farmer has said he does not want to be reappointed.

★ ★ ★

Defense Secretary Charles E. Wilson finds it advisable to recall to service some Truman officials. Charles A. Coolidge, once an Assistant Defense Secretary, is returning as a special adviser. Gordon Gray, Mr. Truman's Army Secretary, now is Assistant Defense Secretary.

★ ★ ★

Senator Harry F. Byrd (Dem.), of Virginia, now that he is chairman of the Senate Finance Committee, is viewed as the biggest stumbling block to any tax cuts next year. The Virginia Senator firmly opposes any cuts until a balanced budget is achieved.

★ ★ ★

Behind the refusal of the House Appropriations Committee to approve funds for the new Air Force Academy is a lurking doubt that Colorado provides the best site. Controversy over building designs was not the only thing that held up the funds. Congress also wants to examine the site.

Why a 9 year old gardener and a police chief's story had special meaning for Jewel Tea's **George Clements**

Wausau Story

"I have one just like it" Mr. Clements chats with Mrs. Don Deininger while Jane Deininger and pet duck "Taffy" show off her garden

"Wausau's enterprising spirit starts at home. In fact, in the backyard! Jane Deininger, 9, has her own garden which she weeds and cares for herself! When I told her I had a garden just like it at home she beamed with pride. Later, over a cup of coffee, Mrs. Deininger told me that Wausau parents encourage youngsters to 'do for themselves.' Jane assists in the kitchen, frosts the cakes, washes dishes and helps care for baby brother. With this kind of training it's little wonder Wausau youngsters grow up to be the kind of people you like to know, to work with and be with."

Recently, Mr. George Clements, president of a company that serves a million homes coast to coast, visited Wausau. Mr. Clements remarked: "I felt right at home. In Wausau, as in my own company, you get the feeling that everyone is pulling on the same rope."

This is the 'Wausau way.' A good way of doing business. It's the way that we of Employers Mutuals approach insurance problems. We think you'll find it particularly helpful in *workmen's compensation*, one of our major lines.

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Joe Schira, Jr. and Mr. Clements at Northland Sporting Goods Marine Base

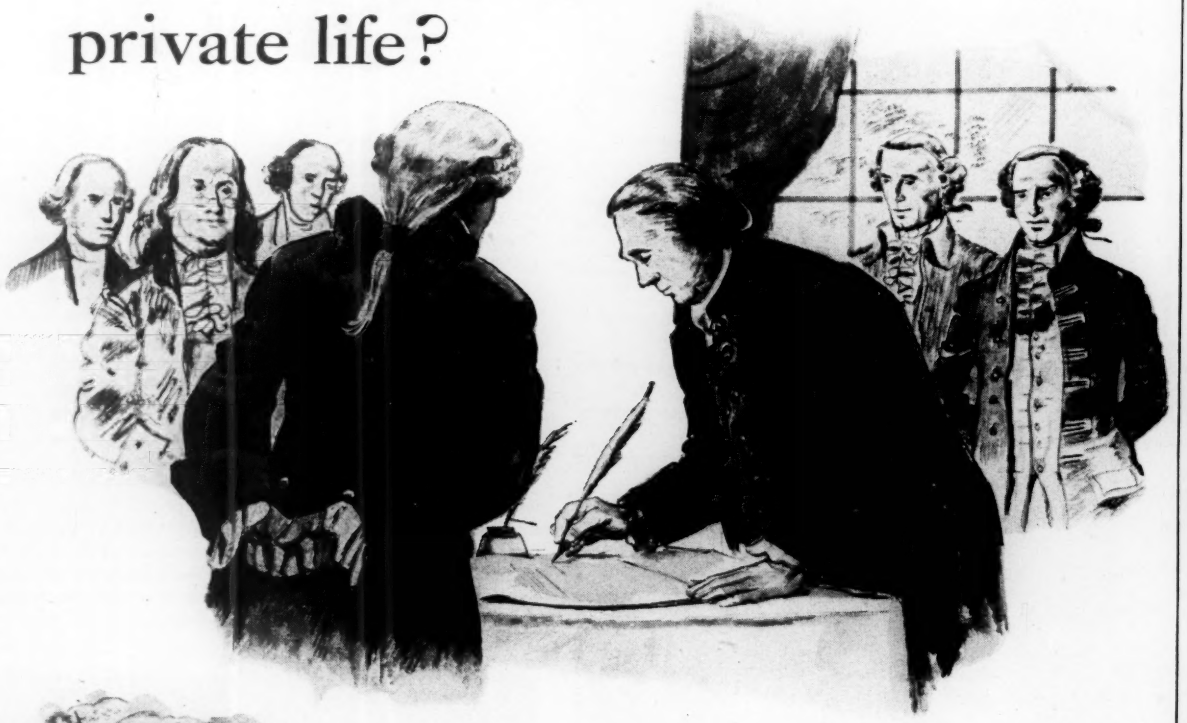
"Wausau stores offer some of the finest outdoor equipment I've ever seen. And, with typical generosity, the folks who run the new Northland Sporting Goods Marine Base have built a new beach and boat dock open to all, and even offer free sailing and water ski instruction."

Police Chief Everett Gleason greets Mr. Clements

"Because of Jewel's public safety program, I was interested to learn that Wausau has been named the safest U.S. city for *the second year in a row!* 'Everyone in Wausau works at safety,' said Police Chief Gleason. That's the sure way to reduce accidents . . . in companies, too."

Employers Mutuals *of* Wausau

Did you know Samuel Adams, the "Father of the Revolution," was a brewer in private life?



Since Colonial times, beer and ale have been a traditional part of American life. Today these beverages of moderation are served in about two out of every three homes.

Samuel Adams, famous Revolutionary patriot, was one of the most influential political writers in our nation's history.

In addition, he organized the Boston Tea Party, served as a delegate to the Continental Congress, and was one of the signers of the Declaration of Independence at Philadelphia.

It is interesting to note that he found time in his long and busy life to manage the brewery that he inherited from his father, Samuel Adams, Sr.

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A LOOK AHEAD

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Looking at the prospects, as peace talks progress at Geneva:

Big deals are not to be expected. Nothing, really, is to be settled.

Geneva is not to be another Yalta or Potsdam.

"Cold war" is to go on. Hot war is highly improbable now--not because of anything happening at Geneva, but because Communists don't dare risk it.

To the Russians, Geneva offers a chance to buy time, to calm the world down while Communist nations catch up. They have much catching up to do.

To U.S., Britain, France, Geneva provides an opportunity to take soundings, get a better line on what Russians really are up to--and, at the same time, demonstrate to the world that what the West wants is peace.

If anything, it is to be harder, not easier, to nail down a deal with Russia's new Government. Reason: There is no one man to deal with.

Power that Stalin had is diffused now. At the summit in Russia is a committee--Khrushchev, Bulganin, Molotov, Zhukov, perhaps others.

Eisenhower expected no real solutions at Geneva, isn't surprised at what is happening. Question, which could be important, is whether the country, despite his warnings, expected too much.

At home, after two and a half years of an Eisenhower Administration:

Ike is riding high, finds just about everything going his way.

People, by and large, are content, enjoying peace and prosperity. The country is calming down, tensions disappearing. Problems don't bear down as they once did, seem to get overshadowed pretty much by the good things of life.

Ike himself is getting the hang of his job, obviously is enjoying it.

Over the country, people still like Ike. His popularity is rising, now stands a bit above what it was just after he became President. Polls show that.

New quest for peace at Geneva drew applause from millions.

Even in a Democratic Congress, a lot of magic clings to the Eisenhower name. Democrats shoot at the men around Ike, rarely at Ike himself.

Republicans are more confident than ever, figure Eisenhower will run in 1956, and win hands down. Democrats, most of them, will tell you privately that Ike would win if the election were held today.

Remember, though, that voting time still is more than 15 months away.

Moods can change. New irritations, new worries can develop. Trouble can

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erupt in the world, despite peace talk. Business can turn around--and will some day. Ike's "era of good feeling" isn't guaranteed forever.

Question: Is Eisenhower building up to a peak too early, riding for a fall before election time? Nobody can be sure. Democrats, hard pressed for issues just now, are biding their time, waiting for something to happen.

For now, this latest wave of prosperity is surpassing all expectations.

Danger of inflation is becoming a matter of official concern.

Summer slump, normal in this period, can hardly be detected so far.

To show you the momentum that business had as summer began:

Total spending for goods and services--gross national product--hit an all-time high in the quarter ended June 30. Annual rate: an estimated 381 billion dollars. That's 6 billion above preceding quarter, itself a record period.

Boom still has at least a year to go. Gains, however, are to be less spectacular from now on. Testing period: second half of 1956.

Stock market reflects all this exuberance in the economy. But, in sizing up the market, don't overlook this important point:

Stock prices, on the average, have bounced up so high that dividends, on the basis of the recent price peak, yield little more return per dollar invested than do high-grade corporate bonds. This spread between stock yields and bond yields is smaller than at any time since 1946.

A bear market is not necessarily signaled by this narrowing spread in yields. To the investor, it does suggest caution in selecting issues.

In the closing days of a Democratic-controlled session of Congress:

New military-reserve law will be enacted. Senate and House differed on details. In the end, some provisions will not be to the Pentagon's liking. This much is clear: Youths under 20 will get a chance to take six months' training, as substitute for draft, then serve in a Ready Reserve unit for 7½ years. Reserve obligation of veterans was the big dispute between House and Senate.

Highway bill, in all probability, will become law. Interstate highways and farm-to-market roads will get emphasis. Financing is up in the air. Gasoline tax, other federal road-user excises may be raised to help pay the cost.

Income tax cuts will wait until 1956, look very probable then.

Boost in payroll tax, other changes in Social Security system will get bottled up in the Senate, go over until next year.

Five-year write-off of industry's new defense facilities, for tax purposes, is in jeopardy. Treasury wants the system ended for future projects.

Minimum wage may be raised to $1, though opposition is widespread.

Appropriations will wind up about as asked by Eisenhower.

In looking ahead to U.S. growth, new markets, take careful note of what is happening to the country's population right now.

Babies are being born in record numbers. Estimates are proving too low.

With incomes high, trend is to bigger families--third and fourth babies.

Official projections of population will be raised.

Population growth in years ahead, based on recent trend, looks like this: 1955: 165.2 million. 1965: 193 million. 1975: 227.9 million.

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"It's Air Conditioned"

These are magic words when it's a scorcher outside. They can spell the difference between good business and bad business.

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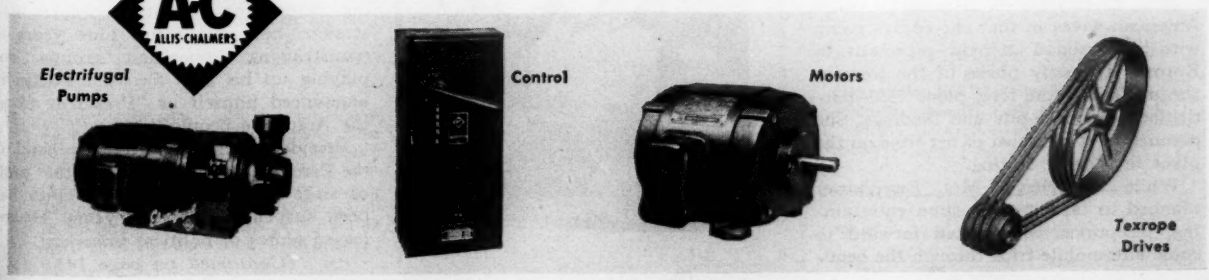
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PEOPLE ★ ★ ★

® OF THE WEEK

› **TWO GEORGIANS,** both friends of the armed services, hold in their hands the future of legislation to build up a military Reserve. The House has passed one bill, the Senate another. The chairmen of the Armed Services Committees of the two legislative bodies, Senator **Richard B. Russell** and Representative **Carl Vinson,** have the job of ironing out the differences in a conference committee, selling the compromise to House and Senate.

It is almost a certainty that President Eisenhower will get, at least in limited form, legislation which he had placed near the top of his "must" list.

Senator Russell and Representative Vinson are old friends, veterans in steering through Congress legislation affecting the armed services. Both are advocates of a strong U. S. military establishment.

Senator Russell has been in the Senate 22 years, twice was the choice of Southern States for the Democratic presidential nomination. He lost out in 1948 to Harry S. Truman and, three years ago, to Adlai Stevenson; has said he will not be in the running next year.

Representative Vinson, blunt-speaking, vigorous, has been in Congress since 1914. He is credited with being the driving force behind the build-up of the U. S. Navy that made it the most powerful in the world.

› **THE FIRST LADY** dampened the smoldering embers of a rumor when she decided to go to the Geneva Conference with her husband. The rumor, still circulated in some quarters, was that her health was so poor that President Eisenhower would refuse a second term.

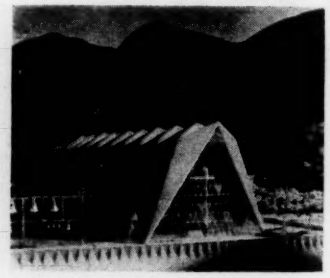
When the President first discussed the idea of Mrs. Eisenhower's accompanying him to Europe, she put it up to the White House physician, Maj. Gen. Howard McC. Snyder. He urged her to go, agreed it would be a pleasant change from the tiring task of furnishing and decorating the Eisenhowers' Gettysburg farm house.

Mrs. Eisenhower is like many other American wives in that she enjoys going with her husband on trips—especially to Europe. The only phase of the journey she dislikes is the long plane ride—particularly the take-offs and landings. She planned to spend most of her time on the plane in a berth, resting.

While in Geneva, Mrs. Eisenhower planned to take it easy, shun entertaining, receptions. She looked forward to some automobile trips through the beautiful Swiss countryside, maybe a boat cruise on Lake Geneva.

The Eisenhowers, with their son, Maj. John Eisenhower, who is acting as his father's aide, were housed in a luxurious 232-year-old villa on the lake front. Guarding it 24 hours a day is the Swiss "navy"—policemen in motor boats.

SKIRT OR WIGWAM?



› **Lieut. Gen. H. R. Harmon** was caught in the middle of a heated controversy over the architecture of the new Air Force Academy at Colorado Springs, Colo. As the first class of 306 cadets, below, reported to temporary headquarters in Denver, the Academy Superintendent was not at all sure that the 125-million-dollar "West Point of the Air" would be completed by the autumn of 1957, as scheduled.

The House Appropriations Committee refused to release funds to start construction work; demanded that the architectural design be "more firmly established" first.

The main target of critics of the Academy plans was the chapel, above. One Senator described it as looking like "an assembly of wigwams." Another thought it resembled "a hoopskirt hanging out on a line to dry."

Officials of Skidmore, Owings & Merrill, the Chicago architects, said the plans were "in a very early stage of development," and predicted that their final blueprints would win acceptance by both Congress and the Air Force.

› **RUSSIA'S FIRST TEAM** at this week's Geneva talks gives evidence that the Reds still are functioning with a Government by committee. Previously, Stalin was the key man at high-level conferences. Now, there are five Soviet delegates, indicating that no strong leader has yet emerged.

Heading the Moscow task force is **Premier Nikolai A. Bulganin,** a newcomer to big-power powwows. He is a bureaucrat, considered by Western diplomats to be a figurehead for Communist Party boss **Nikita Khrushchev,** who was a last-minute addition to the Russian line-up.

Khrushchev is believed to be the key figure in the Soviet ruling clique at the moment, but his loose-tongued antics during a recent trip to Belgrade marked him undependable as a negotiator. So the Soviets sent along two veterans of the "cold war" to keep their leaders from jumping the traces.

One of these is Foreign Minister **V. M. Molotov,** who can quibble all day over the meaning of a word; the other is Deputy Foreign Minister **Andrei Gromyko,** who is destined for a place in history as Russia's "Nyet" man at the United Nations.

Biggest surprise was the inclusion of **Marshal Georgi K. Zhukov,** in Moscow's official party. The Red Army hero of World War II is making his first appearance outside the Iron Curtain as a diplomatic negotiator. He and President Eisenhower met in Germany on friendly terms, have corresponded within the last year.

› **GEN. JUAN D. PERON** was appearing before the Argentine people in a strange, new role. After nine years of hamstringing opposition groups and playing up his own Peronist Party, he announced himself as "President of all the Argentine people."

President Perón resigned as head of the Peronist Party. He revoked the "state of siege" under which civil rights had been suspended for four years. He released scores of political prisoners.

(Continued on page 14)

"The Three Musketeers"... and HIGH BLOOD PRESSURE

MEDICAL GUIDANCE, *rest* and *weight control* . . . these might well be called "the three musketeers" fighting high blood pressure. For when they work together...as "The Three Musketeers" did...they may help protect you against the less serious type of this disorder, or prevent complications if you have it. This form of high blood pressure, so-called "essential hypertension," accounts for more than 90 percent of all cases.

Victims of this disorder are often individuals of great drive. To lessen strain on the heart, a leisurely pace of living is desirable.

Among other things, the doctor may recommend intervals of rest during the day . . . and at least eight hours of rest every night. He will also urge patients to avoid situations which cause great tension, such as needless arguments.

In addition, he may suggest other things to relieve stress and worries that tend to keep blood pressure up. Mild exercise is not only usually permissible, but even encouraged.

In fact, things that help divert the mind from daily troubles and keep the patient from becoming preoccupied with blood pressure levels can mean the difference between living a useful or an unsatisfactory life.

Weight control may be important, too, in relieving high blood pressure. Since the heart works harder when hypertension is present, weight loss naturally helps to lighten its load.

Of course, the doctor's help is needed. Regular check-ups will enable him to discover complications early if any occur and start treatment that may keep them under control.

In selected cases, great improvement can often be obtained by special diets or surgery. Several new drugs are also used now which may lower pressure and relieve symptoms. No drugs, however, should ever be tried unless prescribed by a physician.

If the doctor's advice is followed and if the patient learns to lead a *life of moderation in all things*, high blood pressure can be successfully controlled in many cases. If neglected it may damage the heart, kidneys and brain.

To detect this condition early, everyone . . . especially those who are middle-aged or older, are overweight, or have a family history of the disease . . . should have periodic medical examinations. When discovered early, hypertension is usually easier to control.

Metropolitan's booklet, *Your Heart*, gives many more facts about high blood pressure. Just clip and mail the coupon below for your free copy.

Many discoveries which have promise in the fight against hypertension have come from studies made by the Life Insurance Medical Research Fund. The Fund, supported by over 140 Life insurance companies, devotes its entire resources to research that may lead to better ways of preventing and curing heart and blood vessel diseases.

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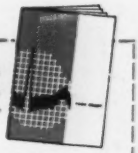

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CONTINUED

The Christian Democratic Party, whose secret founding had nettled Perón into starting his fight on the Catholic Church, announced publicly that it was getting into business on a permanent basis. Buenos Aires newspapers published announcements by opposition politicians, for the first time in years.

Argentines, a little startled by the sudden changes, could see several possible reasons for them. Perón's fight with the Church had backfired. Navy rebels apparently still held the big Puerto Belgrano base and several warships. The Army, which had saved Perón in the June 16 revolution, was out of sympathy with some of his old policies.

The opposition, although cheered, was keeping its fingers crossed. It wasn't clear yet whether General Perón had really gone overboard, permanently, for genuine democracy.

➤ **NEW DEPUTY SECRETARY** of Defense is a business leader who seems to have talked himself into the job by being critical of the way it was being run. The story of President Eisenhower's selection of **Reuben B. Robertson, Jr.,** to be the No. 2 civilian in the Pentagon goes back to his services as vice chairman of a committee that studied the Defense Department for the Hoover Commission on Government.

The committee found that defense is the nation's biggest business—employing 4.3 million people and spending about 35 billion dollars a year, or nearly 60 cents out of each tax dollar. It recognized that "because national survival is at stake, cost cannot be the primary factor" in evaluating the Department's work. But it recommended, among other things, changes in policies and administration that would achieve "a more efficient, economical and businesslike defense organization."

Mr. Robertson, as the major author of the committee's report, has now been asked by the President, in effect, to grab a new broom and start sweeping.

The new Deputy Secretary is 47, a Republican, born in Asheville, N. C. He served in the Army during World War II, came out a lieutenant colonel. He is president of the Champion Paper & Fibre Company, lives near Cincinnati, Ohio.

➤ **A NEWCOMER** to the White House staff with an unusual distinction is **Everett Frederic Morrow,** whose grandfather started life as a Negro slave. He is the first member of his race to hold a high position in the Executive Office.

Mr. Morrow is the new administrative officer of the Special Projects Group, which includes the Council on Foreign Economic Policy and the offices of the special assistants to the President on disarmament, foreign policy and public-works planning. His office is in the old State Department building, across the street from the White House. His salary is in the $12,500-a-year range.

The new presidential aide is 46, a graduate of Bowdoin College and Rutgers University School of Law. He is a former field secretary for the National Association for the Advancement of Colored People; more recently was a member of the public-relations staff of the Columbia Broadcasting System.

He entered Government service as an adviser on business affairs in the Commerce Department two years ago, is grateful to Secretary Sinclair Weeks, "who gave me an opportunity."

Mr. Morrow sees his job as one that calls for "a lot of just plain housekeeping." He says: "It is a managing job. There will be personnel problems, budget problems, housekeeping, supplies, that kind of thing." Of his appointment, he says: "I have not cried for special privilege but for the same privilege. I want to rise on my own merits."

AMERICAN FARMERS OFF TO PLANT GOOD-WILL SEEDS IN RUSSIA

➤ **A U. S. FARM GROUP** is visiting Russia on a month-long tour that will take its members into areas of production of corn, cotton and wheat seen by few if any Americans of this generation.

The Americans are traveling "with open minds and ears unplugged," in the words of one member of the 12-man delegation. They expect to penetrate as far into the Soviet Union as Novosibirsk, an industrial and transportation center 1,750 miles east of Moscow, and southward 2,500 miles into the Ukraine.

Their itinerary includes visits to collective farms, agricultural schools, an all-Soviet Union agricultural exposition. Said one of the group: "We hope to plant the seeds of good-will and international understanding."

A similar group of Soviet farm experts was to tour the U. S. in a reciprocal arrangement.

—Wide World

L. to R.—John M. Jacobs, of Phoenix, Ariz.; Herbert W. Pike, of Whiting, Ia.; J. M. Kleiner, of Nampa, Ida.; Asa V. Clark, of Pullman, Wash.; Lauren K. Soth, of Des Moines, Ia.; John M. Steddom, of Granger, Ia.; Ferris S. Owen, of Newark, Ohio; W. V. Lambert, of Lincoln, Neb.; David Gale Johnson, of Chicago, Ill.; W. E. Reed, of Greensboro, N. C.; Charles J. Hearst, of Cedar Falls, Ia.; and Ralph Ainslee Olsen, of Ellsworth, Ia.

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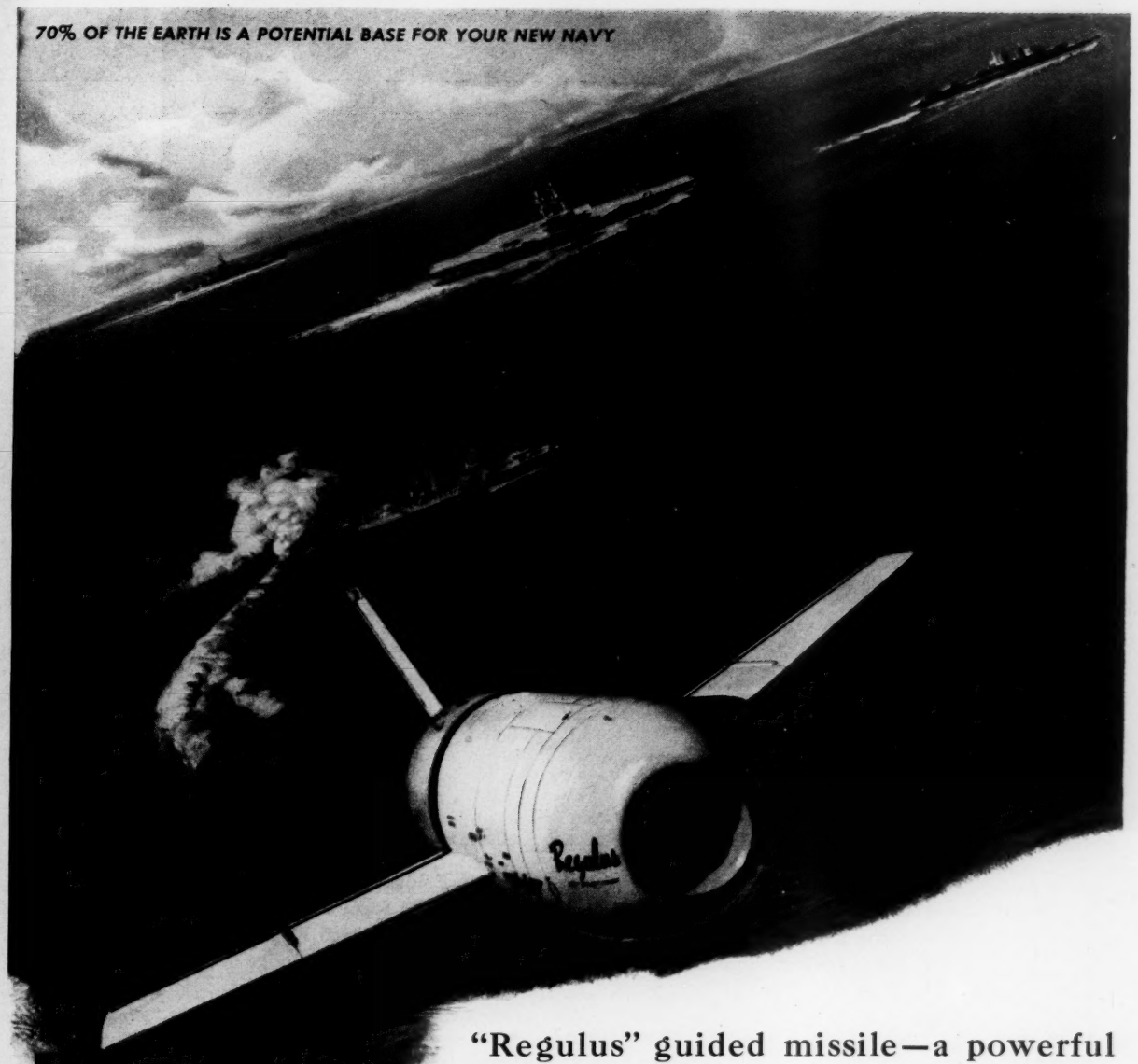

bomb that thinks

"Regulus" guided missile—a powerful defense weapon for Your New Navy

Regulus is a highly versatile, jet-propelled guided missile that can deliver a powerful warhead to an enemy target from hundreds of miles at sea.

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Reliable and capable of performing a variety of missions, Chance Vought's *Regulus* is a prime example of the advanced weapons which now strengthen the U. S. Defense team.

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Men who can qualify for career training as seagoing specialists in any of more than 60 ratings. There are openings in electronics, radar, sonar and other important and highly skilled occupations. See your nearest Naval Recruiting Office for detailed information.

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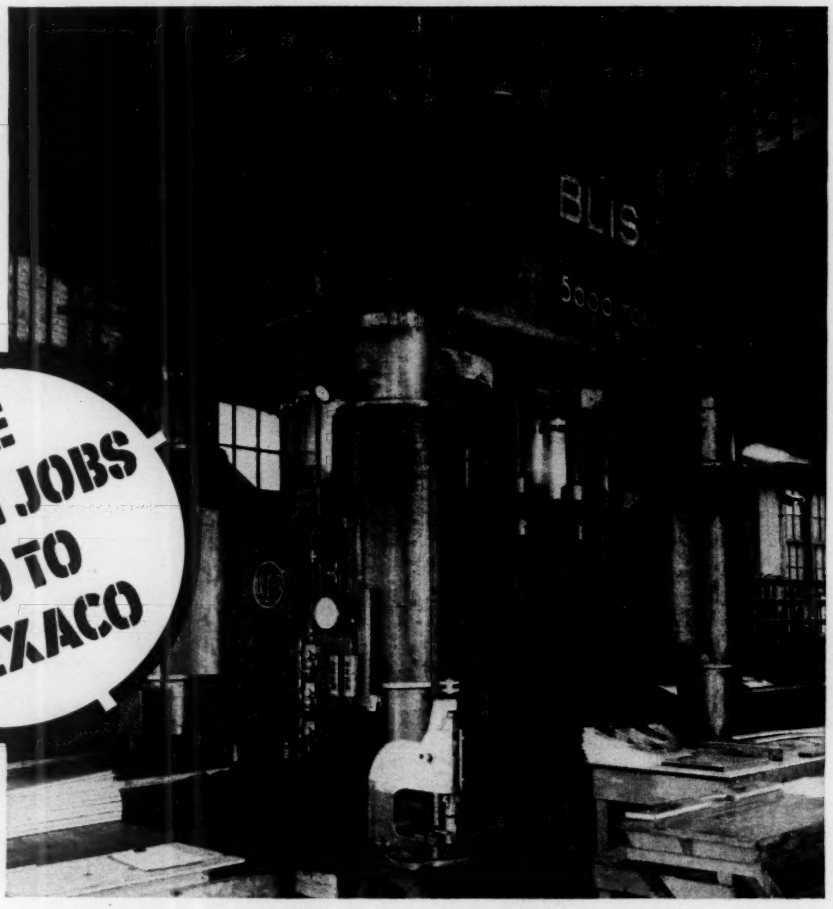

THE TOUGH JOBS GO TO TEXACO

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VOLUME XXXIX—No. 4 U.S. News & World Report WASHINGTON, D. C.

WAR POSTPONED— HOW MANY YEARS?

Threat Stays, Despite Geneva and Red "Peace Offensive"

While the Big Four talk things over—War is out, for now.

Reds figure the conference table is safer, and may be much more profitable.

Strictly on military terms, the Communist world is far from ready for a shooting war.

As the experts see it, Russia needs at least until 1958 to catch up with the West in arms. That's the most optimistic guess. She may need much more—even 20 years. China needs more than that, may never catch up.

Arms aren't all. Reds have other woes.

Their goal now: Get U. S. to relax, give Communists time to gather strength.

GENEVA

This is the appraisal you get from the Big Four Conference technicians:

The shooting war that everybody has been talking about for years is postponed indefinitely.

"Fringe wars"—like Korea and Indo-China—will flare up in the period ahead only if the Communists are convinced such affairs will not get out of hand.

The "cold war" is not recessed. It goes right on, with both sides running continuous tests to try to find out where the opposition is heading.

—Hesse in the St. Louis Globe-Democrat

"READ THE FINE PRINT"
Unknown: Russia's timetable

The danger of big war remains. Communists, talking peace, have switched tactics but not goals. They are still out to take over the world.

Outlook for war. It is when the Allied experts review the military situation surrounding the Geneva Conference that you get the clearest picture of the war outlook. It is significant to them that the Moscow delegation includes Defense Minister Georgi Zhukov—the one Soviet leader who has had experience conferring with President Eisenhower. One of Britain's top analysts sums up the Soviet military position in these words:

"Soviet Russia is seeking to buy time now, in terms of years—eight, 10, maybe even 20 years.

"The West must not confuse what soldiers often differentiate as intentions and capabilities. The ideal position of any would-be conqueror is to develop his capabilities to coincide with his intentions. Moscow continues to be intent upon achieving world domination at some future point.

"The immediate goal of Moscow is to lull non-Communist areas into a false sense of security. If the West can be persuaded to lower its defensive guard, then the Soviets will need less ability for their side to win."

There is abundant evidence that the Soviet Union, despite its many internal troubles, still is concentrating on metallurgy, oil, transport, electrical industries and nuclear research—all vital elements needed to support a capacity to make war. One Allied expert estimates that the Russians may have a stockpile of 30 hydrogen bombs and more than 500 other atomic weapons by 1958. Logistically, they could deliver such weapons against Western targets by 1958, too.

Outlook for peace. As these experts see it, however, there are massive restraints at work now to prompt Soviet leaders to avoid a shooting war. There are big problems inside the Communist empire—the burden of trying to industrialize primitive China, the shaky econ-

—Dowling in the New York Herald-Tribune

"A WORD TO THE FAITHFUL"
Known: Russia's goals

What the Senate Says About Red Despotism

On July 14, 1955—the day before President Eisenhower left Washington for the Geneva meeting with Premier Bulganin of the Soviet Union—the United States Senate adopted the following resolution without a dissenting vote:

Whereas millions of people in Europe and Asia are living in subjection to a totalitarian imperialism; and

Whereas the domination of free peoples by an aggressive despotism increases the threat against the security of all remaining free peoples, including our own; and

Whereas the people of the United States cherish a heritage and tradition of freedom and self-determination; and

Whereas it is appropriate that the Congress give expression to the desires and hopes of the people of the United States: Therefore be it

Resolved, That the Senate proclaim the hope that the peoples who have been subjected to the captivity of alien despotisms shall again enjoy the right of self-determination within a framework which will sustain peace; that they shall again have the right to choose the form of government under which they will live, and that the sovereign rights of self-government shall be restored to them all in accordance with the pledge of the Atlantic Charter.

omies of the European satellites, the stubborn farm problem in Russia itself.

There is another element in the Soviet "peace offensive" that impresses the French analysts. One of them puts it this way:

"Russia's revolutionists are getting conservative. They've got much to protect, not only their industries but their personal privileges—high incomes, cars, country homes, educational advantages for their children. Top-salaried business managers in Russia now earn 35 times the wages of an unskilled laborer. It's enough to make anyone conservative.

"Also, a period of 'stability' probably looks attractive to the Kremlin because toughness hasn't been very profitable these past few years. Except for the real estate picked up in Indo-China and Tibet, the Communist world has made no territorial or political gains since 1949. The Western world, meanwhile, has united, prospered and rearmed. To the top Communists, 'soft spots' in the free world no longer look soft enough to warrant significant risks."

More cold war. Nobody here thinks that Moscow's new willingness to talk things over means that the cold war is about to come to an end. Communist leaders still are dedicated to their theory that the capitalist world is certain to disintegrate and eventually collapse. When they can do so without big risks, the Russians will do everything they can to weaken the West and extend their system. They are always prepared to use propaganda, infiltration and the Communist parties abroad for this purpose.

By this reasoning, Communist talk of "peaceful coexistence" doesn't rule out the use of armed revolutions, or even limited wars, as a weapon against the West. But limited wars are getting dangerous now in the atomic age.

The men whose job it is to outguess the Communists are convinced it was the fear that "little wars" might get out of hand prematurely that prompted Moscow to call off the fighting in Korea and Indo-China. For the same reason, the Soviets are trying to keep the Chinese Reds from starting a war over Formosa.

Just like the Russian Communists, the Chinese Communists are switching from war threats to a diplomatic campaign to achieve their objectives. The objectives haven't changed—control of Formosa, the elimination of the U. S. as a power in Asia, and eventual Communist domination of the whole region.

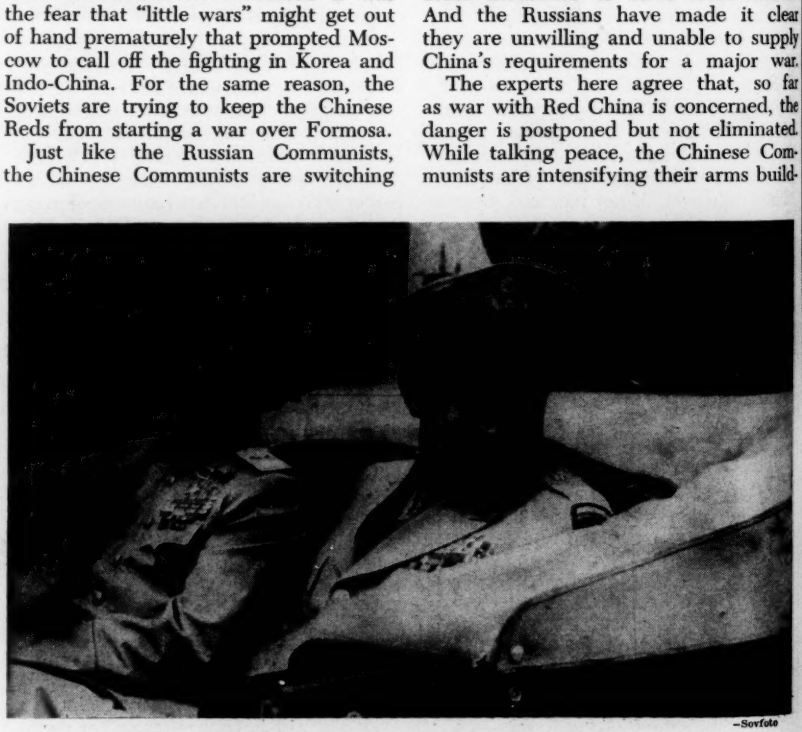
It was just a few weeks ago that big war between Red China and the U. S. looked inevitable to many military men. Observers are convinced that the sudden switch by the Chinese Communists stemmed from a realization that further aggression probably would start a war with the U. S.—a war which China is not prepared to fight alone and Russia is unwilling to support at this time.

A close examination of what is happening on the mainland of China reveals reasons for the shift in tactics. Here is the picture you get: The industrial base that Red China needs to wage a continuing big war has not materialized. The ambitious economic build-up is bogged down by disasters such as drought, floods and famine, and by the shortages of supplies and equipment.

In military terms, what this means is that, while China has the world's fourth-largest air force and the second-largest army, its factories cannot turn out airplanes, tanks, heavy artillery and electronic equipment needed for war.

Thus, practically all the equipment and fuel needed to wage a big war must come thousands of miles from Russia. And the Russians have made it clear they are unwilling and unable to supply China's requirements for a major war.

The experts here agree that, so far as war with Red China is concerned, the danger is postponed but not eliminated. While talking peace, the Chinese Communists are intensifying their arms build-



—Sovfoto

MARSHAL ZHUKOV WITH GENERAL EISENHOWER IN 1945
Now, at Geneva, their acquaintance may prove significant

up. Their military budget for 1955 is nearly 24 per cent greater than in 1954. All three branches of the armed forces—Army, Navy and Air Force—are being re-equipped and trained by Soviet experts. Nation-wide conscription is being introduced to get better-educated young men into the services as technicians.

Danger signs. For now, however, the Communists are soft-pedaling war talk. U.S. officials are well aware that the Red campaign to "relax tensions" could undermine the American position in Asia. Here, in the words of one American authority, is the risk:

"The Russians undoubtedly will try to force us into a conference to 'relieve tensions in the Far East.' Britain and France might be inclined to go along. But you can be sure the Communists would be willing to negotiate only on the question of withdrawing the American Seventh Fleet from the Formosa Strait.

"The Communists would, of course, make some concessions which although entirely unacceptable to the United States might be supported by most of the other delegations. The result would be to isolate America from its friends and allies in Asia even more than at present. This is just what the Reds want."

Many delegates see schemes such as this as typical of the whole Communist strategy—to preach "world stability" while trying to nourish even the tiniest seeds of discontent in the West.

What is Red strategy? Some diplomats think Moscow is convinced the Allies will be unable to keep up military and economic strength in a period of peace and relaxation. The Communists are betting that, with the fear of Russian attack removed, the North Atlantic Treaty Organization will disintegrate, the U.S. will lose interest in Europe and withdraw, the West will disarm again—then Germany will make a deal with Russia and countries such as France and Italy will be taken over by "popular front" governments as a preliminary to Communist control.

Such a sequence of events is regarded by most of the experts as the real goal of the Soviet "peace offensive." Says one American official:

"If it works, we deserve to lose. If the only way the West can preserve its system is in an atmosphere of fear, then the Communists are right and the West contains the seeds of its own destruction. But this is rank defeatism—and I don't believe it for one minute."

For further analysis of the international picture, see what a British observer says—page 88; the London "Economist"—page 92; an air-strategy expert—page 94; a military specialist—page 102.

CALLED "SUMMIT" CONFERENCES

Where	When	Who
Off coast of **Maine**	August 9, **1941**	President Roosevelt, *U.S.*; Prime Minister Churchill, *Britain*
Casablanca	January 14, **1943**	President Roosevelt, *U.S.*; Prime Minister Churchill, *Britain*
Quebec	August 17, **1943**	President Roosevelt, *U.S.*; Prime Minister Churchill, *Britain*
Cairo	November 22, **1943**	President Roosevelt, *U.S.*; Prime Minister Churchill, *Britain*; Generalissimo Chiang Kai-shek, *China*
Teheran	November 28, **1943**	President Roosevelt, *U.S.*; Prime Minister Churchill, *Britain*; Premier Stalin, *U.S.S.R.*
Quebec	September 11, **1944**	President Roosevelt, *U.S.*; Prime Minister Churchill, *Britain*
Yalta	February 4, **1945**	President Roosevelt, *U.S.*; Prime Minister Churchill, *Britain*; Premier Stalin, *U.S.S.R.*
Potsdam	July 17, **1945**	President Truman, *U.S.*; Prime Minister Attlee, *Britain*; Premier Stalin, *U.S.S.R.*
Bermuda	December 4, **1953**	President Eisenhower, *U.S.*; Prime Minister Churchill, *Britain*; Premier Laniel, *France*
Geneva	July 18, **1955**	President Eisenhower, *U.S.*; Prime Minister Eden, *Britain*; Premier Faure, *France*; Premier Bulganin, *U.S.S.R.*

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EXCLUSIVE—

TURNCOAT GI'S TELL

Here, in their own words, is the story brought out of China by the three "turncoat" American prisoners now returning to the U. S.

Taken down in its entirety by tape recorder, this exclusive interview was obtained in Hong Kong within a few hours after the three crossed over from Communist China.

The ex-prisoners, who changed their minds about remaining with their Communist captors of the Korean war, were interviewed in the Peninsula Hotel by two regional editors of *U. S. News & World Report*, Robert P. Martin and Joe Fromm.

Around the dinner table, where the returning Americans were invited to have their first meal on returning to the free world, they talked freely for two hours of their experiences in Red China, their plans and their personal alibis. Every word was taken down.

The two editors, interjecting questions, had the feeling that the "turncoats" were under great inner compulsion to talk. Pfc. William A. Cowart, described as a lad with considerable native intelligence, answered most of the questions and was accepted as spokesman by the two others—Pfc. Lewis W. Griggs and Pfc. Otho G. Bell.

While the three were waiting for their dinner to arrive they talked about whether they should have a drink. Cowart insisted that none should have whisky until they were finished with the interview. He ordered vermouth. Bell and Griggs ordered beer. Midway through his drink, Bell asked for whisky in his beer, added "Don't worry. I can take anything after that Chinese rotgut I've been drinking."

When their meal was served, Cowart ate heartily and cleaned his plate before leaving, while Bell and Griggs only toyed with their food. The latter two seemed to be driven by deep feelings of guilt and fear, and went to great lengths to try to justify their behavior since they were captured in Korea. Cowart, more self-assured, merely held to his explanation that "I went to China as a boy; I came out a man."

Impressions reported by the two editors were these: Cowart seemed remarkably self-confident, alert and, for a semieducated youth, possessed of considerable political savvy. Griggs appeared dull, slow-witted, befuddled by life. Bell was boastful, excitable, often loquacious, a strange youth who appeared to live in a "Walter Mitty" fantasy world.

Griggs obviously was suffering from an internal complaint. Only 22, he looked 10 years older. Cowart and Bell, however, appeared healthy and well fed.

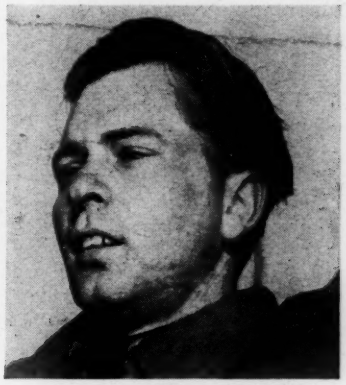
Backgrounds of the three are given in extracts from the book, "21 Stayed," by Virginia Pasley, printed in last week's issue of this magazine.

955

Story of Red China

PFC. WILLIAM A. COWART

PFC. LEWIS W. GRIGGS



PFC. OTHO G. BELL

At HONG KONG

Following is the transcript of the interview as recorded while the three ex-prisoners sat at the dinner table, talking about the Communist China they had just left:

Q: When did you decide you wanted to leave China?

Cowart: Well, actually the first decision—well, it was different. With some of us it was spontaneous and with some of us it was a gradual process, you know. With myself, it was from Korea on. But it was not just a question of getting out and saving my neck, see. By then, I'd decided I'd rather hang than be with them.

Q: How did you go about getting out?

Cowart: We fought those people for five and a half months. Fought 'em. I don't mean just—we fought 'em tooth and nail. To get out. I mean, open conflict. Before, it was just talk. But, for five and a half months, it's been open conflict.

Q: How did you wage open conflict?

Cowart: We struck, we refused to work, we refused to eat, we got drunk. We escaped from places, we fought them with fists, and anything we could do to raise hell we did it.

Q: What were you trying to do through all this struggle?

Cowart: Attract attention, you see, because China isn't all it's made up to be, believe me. The people are dissatisfied with the present rule—or reign of terrorism, as you may call it. Strictly dissatisfied.

Q: What was the purpose of your escape—were you trying to reach the coast or what?

Cowart: No, no. It was just like all the rest of our attempted escapes. It was just to force their hand. We couldn't have escaped from China. Chinese people are so well organized you can't walk out of your door without somebody isn't watching. I don't care who you are.

Q: How did you go about escaping, then?

Bell: Hold it, hold it. When I made my decision to go back to the free world, the commander who was in charge of us talked to me. He brought me down and said, "Well, I hear you want to go home." I said, "Definitely right." That was right after the ideological reformation. We saw a little of it and we didn't want any more. And he says. "You know, there are several ways of going back." He say, "Maybe you can go back underground." I says, "Yah," I says, "Do they have a way underground?" He says, "Definitely." So I said, "In case I were to enter the U. S. and wanted to come out, how do I do it?" And he says, "If you get in touch with the Communist Party in the U. S. you can definitely get out."

Q: Did he indicate how you could get out?

Bell: He didn't say, but he indicated at one point through Mexico.

Q: How did you go about your escape, Griggs?

Griggs: I'm not sure whether it was the 19th or 20th of March. It was one of those days. One of the Belgians and I—we left for Hsihua to apply there for permits to leave China. They gave us permission to go. So we go and we got in there and everything is rosy. Very nice. Very polite.

They say we have to have an interpreter. They won't ac-

. . . "Finally we decided we gotta escape from here"

cept our Chinese. The Belgian—his level of Chinese is the best—writing and speaking. But they won't accept him. So hey call an interpreter.

And from here they started many different excuses why we gotta do this and we gotta do that. They told us first, "You gotta go back to the state farm where you were working, and for them to verify your right to come here and to write a letter." So we did and they began getting desperate and using intimidation and threats.

Then later on they contradicted themselves very much. They say, "Well, we haven't got any more official applications. The Japanese have just left and they used up all the applications." But we stick to it. We said, "We going to stay right here." We says, "It's your duty to help us out of China." We

—Wide World

A HOTEL MEAL IN HONG KONG

Returned prisoners Cowart, Bell and Griggs enjoy Western food after years of Chinese fare

said—they had a guard, military guard with submachine gun —we said, "You can kill us right here. You can throw us in prison or we'll get out. We'll stay right on the street. We won't leave here."

Some of them became very hostile to us and then, finally, they were holding us in there, we couldn't even go to the latrine without a guard. Finally one morning we decided, well this isn't going to work. We gotta escape from here.

So we tried to get out. They refused to let us out. So we decided to ask permission to go outside and eat. And so we finally got permission to eat outside and then we ran away.

They caught us in a truck and tried to force us in the truck to go back to the state farm. There was civilians and militia, and I couldn't distinguish which was civilians and which was militia. All told, I'd say there were approximately 50. The first one that came, which was chief of militia, we tried to take his weapon, so he ran away from us.

Q: Didn't they try to shoot you?

Griggs: Due to the international situation, they were afraid to shoot us. Of course, we weren't so sure of that at the time. Anyway, they finally let us go ahead. We got on a ferry and then the assistant Communist Party secretary for our welding factory on the state farm caught up—we had handed in our resignations at the state farm, but they had refused to accept them—and he and the chief of militia tried to force us to go back.

So we more or less kept forcing ourselves forward and they started going ahead to alert villages. Finally the militia from one village surrounded us. We had a fight there. We tried to pick up a guard—he was a very small man. So we had a fight over that. But nobody got hurt.

Interned us during the night in a kind of barn where they kept chickens—we got a few birds out of that deal—and then the next morning they took us to a stable. So I told the Belgian, "We gotta get out of here. We'll walk out and then we start running. You follow me."

So I broke loose and I went about 150 yards up the road and they grabbed the Belgian—practically the whole village —they grabbed the Belgian and I had to go back to him. So then we sat down in the middle of the road and refused to move until finally for some reason they told us we could go.

We got so far up the road and then here's a whole militia lined up, with rifles, and they start snapping bolts of rifles. I wasn't feeling too good inside then. But we kept going, and then they asked us to have something to eat.

We got to a regular barn, a stable. Then they let the whole street come in and then they gathered around us and started sticking their bowls in for our food and everything. This was just another deal to make us hurt inside. So we gave the people our food and then they let us go.

Q: Well, what happened then?

Griggs: As long as we were in the county where the state farm is, they couldn't grab us. By the laws of China, they couldn't grab us because you were free to move anywhere you wanted in this county where you were working. We kept flashing these laws of China and they'd try to ignore them, but then they'd finally have to give in.

A RUN-IN WITH POLICE—

But we got over in the other county at night and went to sleep in an old pillbox on a river and they came and got us—approximately 20 of them armed guards, county police and local armed militia.

Q: What did they do, take you back to the farm?

Griggs: No, they couldn't. We wouldn't let 'em. They marched us to a police station of another county and interned us for approximately five or six days until the Red Cross—one of the big directors from Peking—came and got us out.

Q: Chinese Red Cross?

Griggs: Yes, Chinese Red Cross.

Cowart: If those boys hadn't escaped, it would have been much more difficult for the others, for the rest of us, you see.

Q: What happened then?

Cowart: Well, they took all of us, the three Americans and two Belgians, to Chengchow, which is in Honan Province. There we expressed our desire to leave China.

Q: Whom did you tell?

Cowart: We told everybody, the population, anyone we could speak to and especially organizations. And they said,

(Continued on page 24)

4 Each craft reaches designated landing spot with pinpoint accuracy – on schedule.
3 Entering dense smoke screen Gyro Compass enables each craft to hold its exact course.
2 Fleet spreads out to avoid shore fire or aerial attack.
1 Guided by Gyro Compass, above water craft [illegible] heads for beach on a correct course.

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THE STORY BEHIND THE STORY:

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■ It's typical, too, of Sperry's developments that aid commerce and industry. For when the Navy's immediate needs are met, Sperry's Marine Division will make this new compass available to commercial shipping—putting Sperry precision navigation within reach of even the smallest ships.

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. . . Other U.S. prisoners "want to come home, too"

"All right. You can leave China. But, of course, you've got to go through the proper procedure."

They said, "You turn in your application to us." They said, "We'll turn it in to proper authorities, and, as soon as it's ratified, you can leave." We turned in our applications. They told us there that they'd turn in our applications immediately, and after they told us that they had turned them in, that they had already notified the American Government that we wanted to go back. That they'd notified the proper authorities that we were coming out of China.

And from then on, it was a good five months before we finally got notification that we were leaving. We got all the way to Peking before we got outside news that we were actually leaving.

Q: Did you see any of the other American ex-prisoners?

Bell: Yes, we saw 'em the night before we left Peking. We saw all of them. Some of them from the factories—they brought 'em up there and then there was the ones going to school in Peking.

Q: Did they come to Peking to see you off?

Cowart: No, for propaganda.

Q: Did any of them indicate they would like to get out?

Griggs: They want to come home, too.

Cowart: Shall we say that—uh—some of them want to come home?

Q: Why didn't they come home then?

Cowart: Well, we had to fight for almost five and a half months to get out. We were worried until the last moment whether we were going to get out or not.

Q: When did you first reach China from Korea?

Cowart: We got to China February 27 or 28, last year.

Q: What did the Communists do first?

Griggs: They promised us a tour of China, but they said, "Oh, no, first your ideological reformation and then there isn't anything you could possibly want to see." They told me I could go to school. Then they later told me, "You don't need school. You need work." And they put me out on the farm.

Q: What sort of school did you want to attend?

Griggs: I wanted to study languages. But they said, "You don't need it." Always in Korea they promised me time after time that I didn't have to live no collective life. They told me I could live like most any human being and that I could go to school. It didn't work out that way.

Q: But you did go to school?

Cowart: Yes, we went to Taiyuan [capital of Shansi Province], all of us. There we underwent seven months of indoctrination. They put us in a compound with an armed gate on it and the gate was locked at 9 o'clock at night.

Q: What was school life like?

Cowart: We got up at 6 and had physical training and then we had discussions or study, then breakfast. After breakfast came Communist studies. They lasted until noon. We had lunch, then two hours of sleep. After we slept, we went back to Communist lectures and they last until 5:30. Then we had dinner and then usually they took us to a movie or something of that nature, you see. After the movie, we went to sleep after some self-study.

They taught us very little Chinese—it was almost at the end of this period that they started teaching us Chinese.

Q: What sort of lessons did you have?

(Continued on page 26)

—United Press

AMERICANS WHO CHOSE CHINA GO SIGHT-SEEING IN PEIPING
"There were agents following us every time we went out"

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. . . "Counterrevolution is spreading wildly all over the place"

Cowart: At first, we had our own history. In other words, our shortcomings since we decided to stay back.

Q: You mean your personal histories?

Cowart: Yes, and boy they raised hell. We wrote one autobiography after another. And then they taught us Chinese revolutionary history. Most of the time they were intermixing the shortcomings of the U. S. That's the biggest point they played on. Every time we turned around, they were telling us there was something wrong with the U. S. And then it was back to our own personal histories again and our actions there.

HOW COWART GOT IN TROUBLE—

Bell: Everything you did, they jumped you for it.

Cowart: For instance, I myself, I was the first one that messed up among the group.

Q: How did you do that?

Cowart: I went to a bar, you see. Only type of bar they have there is what they call in Japan a *saki* house. I went in just to get a drink. A woman came in and started making passes, you know. The only thing that passed between I and the woman was a kiss. That's the only thing. Nothing vulgar of any nature.

I was drunk when I returned to the compound in which we were interned. And I told several of the boys about it and even let the Chinese know about it, you see, in order that they would know we had never—had done nothing.

Next morning, I was called down to face two Chinese Army commanders and three Red Cross commanders. They threatened to deport me—to forcibly send me back to the U. S. to face persecution. And they put it just that way. And they threatened to hang me, to throw me into prison.

Then they put me before a group and said what a terrible piece of humanity I was. Next thing you know, I spent three months paying for what happened—three and one-half months to the day when I could not leave the group building without an escort.

It wasn't until three days before we left Taiyuan that under any condition was I permitted to be alone. Just because I kissed a woman. And from that time on, there wasn't a man amongst our group that was allowed to associate with a Chinese woman. We were never allowed. Anyplace we worked, the women of that area were warned not to mess with us.

Q: When you moved around, did Chinese agents or secret police follow you?

Cowart: From the day we went to China to the day we crossed that border, there were agents following us every time we went out.

Q: Did anyone besides the Chinese lecture to you in the indoctrination school?

Griggs: Winnington, Shapiro and Epstein visited us. [Alan Winnington, a Briton, is correspondent in China for the London *Daily Worker*. Sidney Shapiro is an American lawyer married to a Chinese Communist actress. Israel Epstein, a "White Russian" born in China, lived in the U. S. for several years and now is a Communist propagandist living in Peiping.] Shapiro lectured on how a foreigner should adapt to China. Winnington's lecture was the world situation and Epstein's was also, I think.

Q: You say your schooling lasted seven months. What happened then?

Cowart: We were told after ideological study we could do what we wanted to do. Each man was told to do what he wanted, whether he wanted to go to school or whether he wanted to work.

Bell: But then they told us: You go there—you go there—you go there.

Cowart: They broke us down into three groups. One for the university. One for the factory. And one for the farms. We came last—well, you see what happened.

Q: But why did they let some of you go to the university and others not?

Cowart: I'll have to be frank with you. Highest ideologicals were sent to the university. Lowest went to the farms. Only 11 got to go to the university.

Q: What was life like on this state farm in Honan where you went?

Cowart: On the farm, they get up at 5:30. They have 30 minutes for washing up. Then a meeting from 6 until 6:30. Then they get out of the meeting and they go to chow. And at 8:30 they go to work. They work for nine hours a day, six days a week. When they get off work, they have a 30-minute meeting concerning work. Then they have recreation period, which lasts for about an hour and a half. Then they have their night meetings, every night until 9 o'clock. A bell rings at 9:30 to go to sleep, and you must go to sleep. You can't go out. You must go to sleep.

Q: What is discussed at meetings?

Cowart: They have their own system. For instance, on Monday it was world situation, as they put it. On Tuesday it was discussion of world situation. On Wednesday it was criticism—criticism of individuals. On Thursday it came China's internal situation—so-called internal construction. On Friday it was criticism and then on Saturday there was discussion of the criticism of the week.

Griggs: You forgot liberation of Taiwan [Formosa].

Cowart: Oh, yes. That started in November of last year—it was strictly Taiwan.

Q: At every meeting?

Cowart: At every meeting they mentioned it, at least their slogan: "We must liberate Taiwan."

UNREST AMONG CHINESE—

Q: Hasn't this slackened off?

Cowart: It has slacked off. In past two months I think it has slacked off quite a bit because of internal situation in China. Counterrevolution is spreading wildly all over the place right now. They're arresting people right and left now—especially in upper-class districts.

Today, for instance, they were scheduled to start studying on internal situation in China. At the university where the rest of the Americans are, they are restricted to area from July 10th until 17th. They can't leave the area at all while they are undergoing this study concerning why counterrevolution sprung up, what is motivating force, how to counteract the counterrevolution.

Q: Did you see any evidence of counterrevolution?

Bell: It's very hard to collect evidence. When night breaks, they wait until 1 o'clock or so and then they start in. When me and one of the Belgians were resisting Communists, we saw, one night, just gobs of prisoners come by that they had taken because of activities against Communists. That was the results we got from one night's stay in town.

(Continued on page 113)

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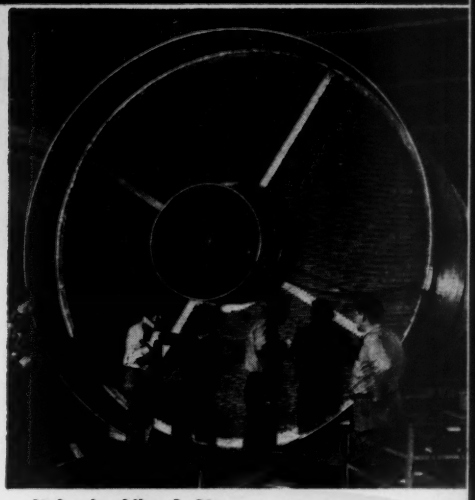

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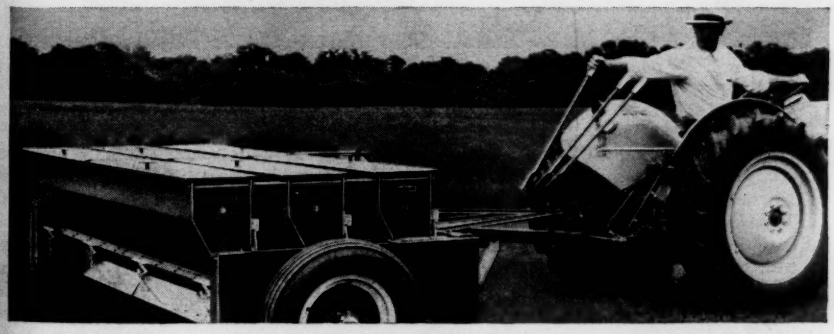

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IS INFLATION ON THE WAY BACK?

Not Yet, but Administration Is Worried

Fear of inflation mounts in official Washington.

Wages are going up. Metals and other industrial materials cost more. The stock market is zooming. People seem willing to spend freely, to accept some price rises.

Inflation, if it becomes general, will change Government plans for tax cuts, public works, other programs.

Dangers of inflation, more and more, are getting to be a cause of Government concern.

President Eisenhower has been told by some of his advisers that prices, after a long period of stability, may be starting to move upward. A few months ago, these same officials were worrying about deflation.

Now they find things turning around. Business costs are rising. At the same time, demand for goods is increasing.

Those forces have not led to a general price rise yet, but fear is being expressed in official circles that they may.

This possibility is having an effect on Administration thinking in other fields. For one thing, a big tax cut next year now is less certain.

Officials have been planning on substantial tax cuts for the President to propose to Congress in January. These would be intended to stimulate business and, incidentally, to win votes.

Now, there is a growing feeling that business needs no special stimulation, for the time being. In addition, a White House aide declares, "The President doesn't need to cut taxes to win next year's election." Prosperity, if it can be maintained without inflation, is seen as the best assurance of victory at the polls.

Other officials, thinking taxes will be cut, are saying the amount of relief may be smaller than previously planned, perhaps a couple of billion dollars spread thinly over the great mass of individual taxpayers and corporations.

Less interest in pump priming. Public works are being pushed less vigorously; they also have been favored as a means for stimulating business.

The Administration first proposed an increase of more than 50 billions in road building over a 10-year period, to be paid for mostly by selling bonds. Democrats in Congress are urging a smaller program to be paid for, in part, through higher taxes.

The Administration is inclined to accept this Democratic plan, which it considers to be less inflationary than its own.

The President's plan for increased school construction is being postponed a year at least. Partly this is more political maneuvering in Congress. However, officials are questioning the advisability of large-scale school aid by the Government at this time.

Enlarged Social Security benefits also are to be put off this year, if Administration suggestions are followed.

Thus, the Government attitude toward plans for helping businessmen and consumers is becoming cautious.

At the same time, the Government is moving slowly to tighten up credit. Investors are being required to pay a larger percentage of the price of stocks in cash. A gradual increase in interest rates is being fostered. Home buyers are being required to pay out some cash.

For a sound dollar. This anti-inflationary policy that is now taking shape is in line with the President's pledge that he would maintain an "honest dollar," one that would not lose buying power as a result of inflation. Up to now, aides assure him, this goal has been achieved.

Cost of living, according to the Government index, is almost the same as it was when Mr. Eisenhower came into office. Prices paid by businessmen at wholesale also average about the same.

However, fear of inflation is reviving in official circles, for reasons outlined in the chart on page 29.

In the stock market, the dollar today buys nowhere near as much as it did in 1953. A broad index compiled by the Securities and Exchange Commission shows an average advance of 16 per cent in common-stock prices since the end of last year. So-called "blue chip" shares of leading industrial companies, as measured by the Dow-Jones index, also have risen about 16 per cent since December 31.

Stocks this year are at the highest prices in history.

A bull market in stocks is not necessarily an indication that other prices are going up. But Government economists see evidence that investors are counting not only on long-term growth in profits and dividends, but also on some general price inflation. Stocks, to some extent, are being bought as a kind of "hedge," with the idea that stocks will go up in price if other things also become more expensive and the dollar depreciates.

At the same time, there is some fear in

FILLING ORDERS FOR STEEL
. . . at higher prices

Government that stock prices are being supported by "speculation," especially by purchases made with borrowed funds.

Efforts to reduce this borrowing have had some effect. Brokers' loans to their customers decreased after the Government required a larger proportion of cash in payment for stocks.

Inflation in business. Meanwhile, many businessmen are finding their dollars affected by inflation in the cost of labor and materials.

Wages and other labor costs are rising steadily this year, with big increases being granted to workers in auto plants, steel mills, aircraft factories, copper refineries and glass companies.

Prices of essential raw materials have risen, too, sometimes as a result of shortages, sometimes in the wake of price boosts. Steel, copper, aluminum, rubber, paper, tin, zinc and some types of lumber cost more than at the beginning of the year.

Thus, officials see a strong inducement to business to raise prices wherever possible.

Opportunities are provided by a growing consumer market and by a vigorous demand on the part of business for supplies and equipment. As yet, this demand has not been noticeably reduced by the tightening of credit.

Here and there, consumers are paying more for specific items. Carpets are more expensive than last year. New homes, in many areas, carry higher price tags. Cost of utilities and professional services increases.

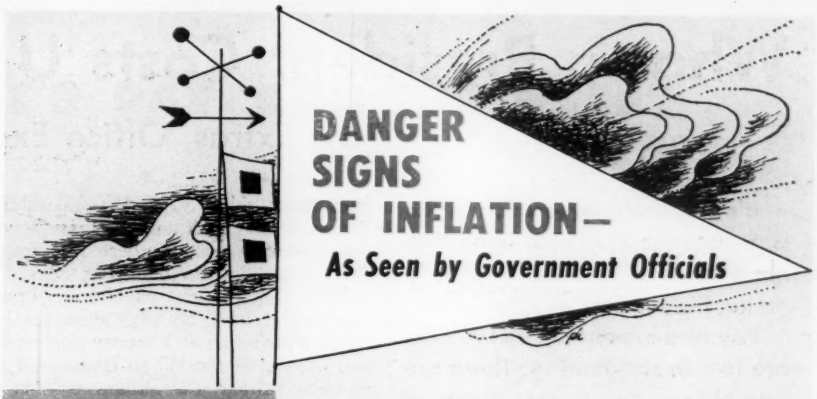
So far, these price advances are being balanced off by price cuts in other lines, the federal economists point out. Rents are going down in a number of cities. Autos and appliances are being sold at big discounts. Food is relatively cheap.

Officials say the chief pressure to hold down prices is coming from competition, which is keen in a market where supplies of almost all sorts are plentiful and where industry has ability to step up production rather quickly.

A shaky balance? But Government experts are wondering how long this balance will be kept. One key economist predicts a period of "economic testing" with a strong tendency for prices to go up. Another official feels a kind of economic merry-go-round may develop.

Expectation of price increases, he thinks, may cause consumers to step up buying. That would make it easier for businessmen to push up some prices.

Past shifts in economic trends have caused the Eisenhower Administration to adjust its thinking on taxes and other policies. Officials say their future plans will also reflect any big change in the business scene, such as a revival of inflation.



STOCK MARKET

Speculation up. Prices of many issues have hit repeated highs. Industrial average, relative to earnings and dividends, is close to levels that have signaled danger in the past.

CREDIT

Businesses and consumers owe more than ever before, have taken on loans freely to buy goods.

INDUSTRIAL PRICES

Materials—other than farm products, food and feed—have risen 5 per cent since June 3.

BUSINESS SPENDING

Companies are paying out 1.5 billion dollars a year to increase inventories, more than 28 billion a year for new plants and equipment. These demands for goods are growing.

BUT, AT THE SAME TIME, Government sees these factors tending to hold back inflation—

COST OF LIVING

Consumer prices, steady, now average a trifle lower than a year ago. Supplies are plentiful.

FARM PRICES

What business pays for farm products has fallen 5 per cent in the past 13 months.

INTEREST RATES

Borrowing becomes more costly for business and consumers. Other credit terms tighten, too.

Sources: BLS, SEC, Commerce Dept., Federal Reserve Board

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What a President Costs U.S.

Pay, Extras, Office Expense Come to $4 Million

It's still the toughest job in the U. S., but the President is getting more facilities and equipment to make life easier.

Pay and expenses of $190,000 are just the beginning. There are two planes, two yachts, fleets of cars, a private train, a swimming pool, air-conditioning, vacation retreats, gadgets.

The yearly tab is about 4 million dollars—and it's climbing.

The cost of supporting Presidents is rising steadily. There are very few, if any, rich men in the world whose incomes will permit them to live like Dwight D. Eisenhower.

In salary, allowances and a long list of "fringes" furnished by the Government, the President gets the equivalent of more than 2 million dollars a year. Add in the salaries of his staff and other operating expenses of his office, and the total cost of running the White House comes to about 4 million.

This is only 1.7 million dollars less than it cost to run the whole Government in the days of John Adams.

Scores of aides, experts and advisers surround President Eisenhower. John Adams had one secretary. All kinds of modern gadgets fill the White House now. Adams had trouble getting enough firewood to keep warm in the place.

The perquisites and privileges of a President far outrun his actual pay. He lives in a place whose house and 18 acres of grounds are valued at a minimum of 25 million dollars. He has the use of facilities of inestimable value. Dozens of men would like to step into his place if he should decide to quit.

All sorts of luxuries have been put in to make the place attractive. Many of the expenses for these are tucked away into obscure items in departmental budgets. They do not show up on the White House list of expenditures. And the regular cost of running the White House is much higher than it once was.

Going up. The regular budget for running the White House is about 2.5 million dollars, $360,000 more than it cost President Harry Truman the last year he was in office. It is more than four times what it cost Franklin D. Roosevelt in 1944, more than seven times what it cost Herbert Hoover or Calvin Coolidge for one year.

This budget covers pay for the President and his staff, his office expenses, his travel allowance, and money for repair and upkeep of the White House and its grounds. About 1.5 million dollars of other presidential expenses are sprinkled through the budgets of the governmental departments.

The President's pay of $100,000 a year comes to him in the form of monthly cardboard checks, like those of other Government employes. It amounts to $6,688.86 a month after withholding tax. He will have more tax to pay at the end of the year. He gets an expense allowance of $50,000 a year, which amounts to $3,333.34 a month after taxes. It is intended to cover the cost of official entertainment and such things. Besides all this, $40,000 a year is provided for travel costs and is not subject to tax.

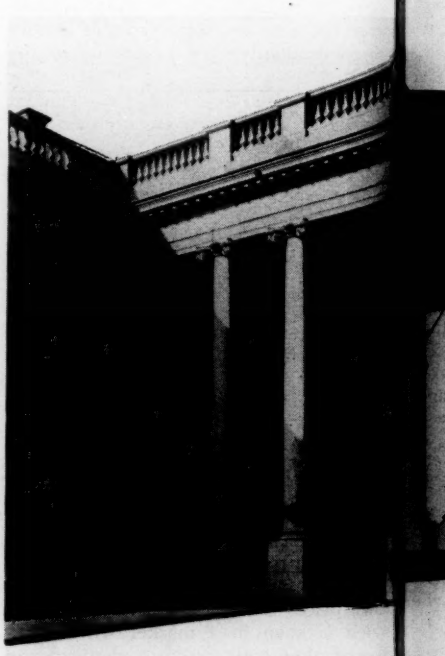
The payroll for Mr. Eisenhower's office staff is $1,714,000 a year, plus $141,000 for office expenses. This is for 277 regular and four part-time workers. Mr. Truman had 246 office workers and aides.

Seventy-two workmen and servants, only one more than in Mr. Truman's time, are used to take care of the White House and grounds. They get $251,637 in pay. Of these, 34 are servants. When special company comes in, extra servants are hired. The 38 others are engineers, carpenters, electricians, gardeners, plumbers.

Utilities included. This is the home setting of the President. The technicians take care of the various equipment installed for his comfort. His rent is free. The Government pays for heat, gas and electricity. The electric bill sometimes is as high as $3,500 a month. There are a $600,000 air-conditioning system to keep him cool, a swimming pool for his relaxation, a private putting green in the back yard, a library if he wishes to read, a private projection room with plenty of late moving pictures if he cares to see one.

The White House facilities were accumulated through the years. A library was installed by booksellers for Mr. Hoover. A swimming pool was installed for Mr. Roosevelt by admirers. The air-conditioning system comes from the remodeling given the White House by Mr. Truman. The putting green was given to Mr. Eisenhower by the U. S. Golfers Association. The only cost to the Government for most of these things is maintenance.

It does cost a President something to live in these surroundings. Out of his salary and the $50,000 expense allowance, Mr. Eisenhower pays for the food for his family, his guests and his servants. Out of his salary, he pays for two personal servants, for personal telephone calls and for the laundry and cleaning for himself and Mrs. Eisenhower.



—USN&WR Photo

There is no way of figuring the value of facilities of the Government a President could use. He could use a battleship, a fleet of planes, or choose a summer home among the national parks. All are at his disposal. As a matter of fact, however, there is 1.5 million dollars' worth of specific items written into the budgets of the Army, Navy, Air Force and Treasury to cover the use of men and equipment assigned to the President.

From Army. White House officials decline to say how many armed forces' personnel work at the Executive Offices. The largest group is from the U. S. Army

(Continued on page 32)

A PRESIDENT'S PAY AND "FRINGES"

★	Salary, expense allowance	$150,000
★	Travel allowance	40,000
★	Servants' pay, upkeep of White House	443,000
★	Upkeep of airplanes, pay of crew	310,000
★	Protection by Secret Service and White House police	945,000
★	Upkeep of cabin cruisers, pay of crew	50,000
★	White House chauffeurs	50,000
	Other *(including upkeep of Camp David and cost of White House military detachment)*	150,000

TOTAL $2,138,000 PER YEAR

THESE THINGS ARE FURNISHED TO THE PRESIDENT

★	A mansion and grounds worth	$25,000,000
★	Two airplanes worth	3,075,000
★	Cabin cruisers worth	500,000
★	A retreat *(Camp David)* worth	100,000
★	An automobile worth	30,000

TOTAL $28,705,000

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[continued]

WHAT A PRESIDENT COSTS U. S.

Signal Corps. It codes and decodes secret messages, does other communications work, makes recordings of presidential press conferences and some presidential speeches. A conservative estimate of the cost of these operations runs to $150,000 a year.

Chauffeurs for the fleet of White House automobiles are drawn from the Army's transportation service. The President and his staff use 18 cars regularly on a rental basis, with others on call as needed. The Army's bill for pay of the drivers runs to about $50,000 a year.

From Navy. The *Williamsburg,* which the Navy kept for Mr. Truman as a presidential yacht, was disposed of for economy reasons. But the Navy keeps two vessels for Mr. Eisenhower's use in "any emergency requiring relocation of the Government." One is a 92-foot yacht which cost $140,000 to recondition; the other is a 60-foot cruiser which cost $35,000 to put in shape. The two boats would cost $500,000 to duplicate.

It costs the Navy $5,400 a year to keep these boats usable, along with $55,000 in pay for the crew—a lieutenant, 2 chief petty officers, 3 petty officers and 17 seamen. Once, to please his grandchildren, Mr. Eisenhower took out the larger boat for a cruise on the Potomac. He has never used the other one.

From Air Force. The Air Force has two planes assigned to presidential use. One is the *Columbine,* a four-engine Super Constellation. It cost 3 million dollars and eats up $97 of gasoline for each hour it is in the air. For every hour in the air, it costs $50 of maintenance. Airmen say the Government spends $20,000 a month to guard the plane and keep it in trim. This figures out to $240,000 a year. Pay for the crew—a lieutenant colonel, two majors and seven master sergeants—runs to about $70,000 a year.

Costs for the second plane are considerably less. It is a two-engine craft to take the President over the traffic between Washington and his Gettysburg farm. It flies to the farm in 20 to 30 minutes, a journey that requires upward of two hours by automobile. It uses 30 gallons of gasoline in an hour, compared to 500 gallons for the big plane. Pilots are always on call.

From Treasury. The Treasury Department picks up the tab for guarding the President. There are 151 policemen who stand watch over the White House and its grounds. They cost $750,000 a year. The number of Secret Service men assigned to the President and his family is undisclosed. They cost $195,000 a year.

From Interior. Many costs are buried too deep to itemize. The Government maintains the President's mountain retreat in Maryland at Camp David. This cost is borne by the Interior Department, but the figures as well as the number of people involved are not made public.

If the President wishes to travel by train, there is a special railroad car—the *Ferdinand Magellan,* owned by the Government—that he may use. Its value is $200,000, but the Government bought it in 1946 for $1. It is fitted like a home on wheels and is especially equipped with loud speakers for campaigning.

Friends provide many things for the President and his wife. In Augusta, Ga., they have the use of a $150,000 cottage which is called "Mamie's Cabin." It is owned by the Augusta National Golf Club. In addition to the putting green at the White House, the U. S. Golfers Association has installed one for him at Camp David. The Professional Golfers Association is giving one for the Gettysburg farm. The three putting greens are costing a total of $13,000.

When Mr. Eisenhower retires from the Presidency, he may draw a $22,500 pension yearly, have free mailing privileges, a free suite of offices and a staff of aides paid $57,000 a year. This would be provided for former Presidents under a bill now in Congress.

Compensation. In spite of the lack of privacy, the long hours of work, the problems and pressures of the office, Presidents now have facilities to make life more pleasant. And the costs continue to rise.

Photos Wide World

These People Work Directly for Ike

White House office workers and aides	289
Servants at the White House	72
White House police	151
Airplane crewmen	10
Cabin-cruiser crewmen	23
TOTAL STAFF	**545**

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Unretouched photograph of Plymouth Belvedere Sport Coupe, 6 or V-8

ONLY THE BIGGEST CAN GIVE YOU THE MOST

Plymouth officially declared MOST BEAUTIFUL CAR OF THE YEAR *in unique award by famed Society of Illustrators*

Never before in its 53-year history has the internationally famous Society of Illustrators given such an award in the automotive field.

The Society is composed of the nation's most distinguished artists and magazine illustrators. The medal acclaiming Plymouth most beautiful is shown above.

Now, the best things come in the *biggest* package in the lowest-price field! It takes the long, rangy spaciousness of the all-new Plymouth to wrap up so *many* things that make motoring a delight.

This clean-cut, forward-thrusting thoroughbred gives you the most size . . . 17 feet of richly-colored beauty. Only a big car like Plymouth can give you a truly big-car ride! In addition, Plymouth offers the most leg room, front and rear . . . the widest front seat . . . the biggest luggage compartment . . . the most in safety features so vital to your peace of mind. It brings you the world's most modern Metal-in-Motion styling—the Forward Look—nothing hand-me-down or warmed over. In *every* way, Plymouth offers the satisfaction that comes from owning the biggest and best!

This year, of all years, *look at all 3!* Learn of the magnificent engineering and craftsmanship that are mated to Plymouth's style and size. Then we are confident that you'll choose Plymouth.

See "PLYMOUTH NEWS CARAVAN" with John Cameron Swayze on NBC-TV and "CLIMAX!" on CBS-TV.

ALL-NEW PLYMOUTH '55

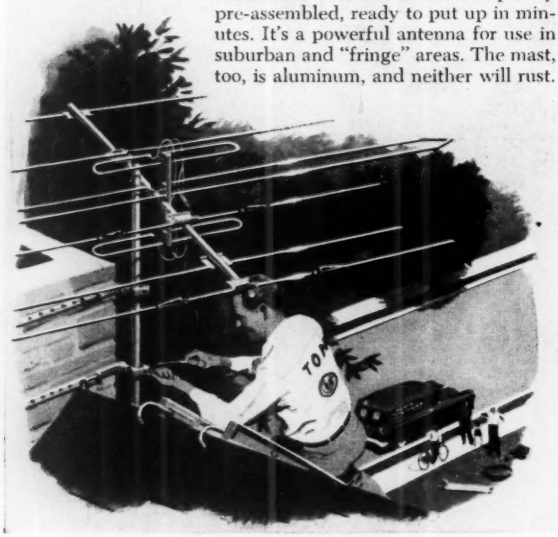
Best buy new; better trade-in, too! . . . a great new car for the YOUNG IN HEART

Movies look their best when seen on an aluminum screen. Reflectivity, which makes the picture bright, is as much as three times that of old-type screens. It takes aluminum for the best show in town.

Daylight to dark. New venetian blinds, shut tight, don't just dim a room, but darken it. Spring-tempered aluminum slats hang straight. Their smooth surface wipes clean with a damp cloth.

For more of the good things of life

New, better antennas are entirely aluminum. This one comes completely pre-assembled, ready to put up in minutes. It's a powerful antenna for use in suburban and "fringe" areas. The mast, too, is aluminum, and neither will rust.



This is a slide sprayer. It can develop over 150 pounds of pressure to make a fine mist or a 30-foot stream. Yet, being aluminum, it weighs only 2½ pounds. A safe, easy and fast way to spray gardens, orchards or livestock.

More good things call for more aluminum. And to make more aluminum takes electricity. (Producing one ton of aluminum uses up enough electricity to supply a six-room house for 15 years!)

To make the aluminum for U.S. industry, electricity must be abundant and economical. Fortunately, neighboring Canada has vast water power reserves not needed by other industries. Right now, to help meet growing demands for aluminum, producing facilities at Kitimat, British Columbia, are being expanded to double their capacity.

Aluminum from Canada benefits the U.S. economy two ways: helps provide factories the raw material they need; helps insure jobs for over a million U.S. metalworkers... **Aluminium Limited, Montreal:** one of North America's great aluminum-producing enterprises. (In New York: Aluminium Limited, Inc., 620 Fifth Ave.)

ALCAN

Aluminum *from* Canada

In Government—

HIGHER PAY AT THE TOP

That's the Administration Plan to Hold Key Men

A better deal for Ike's first team is in the works in Congress. The plan: Boost salaries all around—for Cabinet members, bureau heads, all key officials.

This is urged as the real answer to an old problem: how to get and keep good men in Government.

Government leaders are working on a plan to raise the pay of top federal executives.

With proposed salaries going as high as $27,500 a year for key appointive jobs, the Government hopes to get in better position to compete with private industry for executive talent.

Some hundreds of persons, from assistant bureau chiefs to Cabinet members, will get raises ranging up to $10,000 each per year, if the new scale is approved by Congress. The proposed rates are set out in the chart on this page.

Biggest raise. The President and Vice President will continue on their present salaries—$100,000 and $35,000 a year, respectively. Cabinet officers and a few other officials will be increased to $27,500 under the plan, as it is now drawn. Biggest jump will go to Director of the Budget, Rowland R. Hughes—a boost from $17,500 to $27,500.

Allen W. Dulles, Director of Central Intelligence, will be raised from $16,000 to $20,500; Sherman Adams, Assistant to the President, from $20,000 to $24,000; Philip Young, Chairman of the Civil Service Commission, from $16,000 to $21,000; Edmund F. Mansure, General Services Administrator, and Val Peterson, Civil Defense Administrator, from $17,500 to $21,000.

Good news for appointee. The newest appointee to this top group will be in the second-highest salary level established in this plan, earning $24,000. He is Reuben B. Robertson, Jr., whose nomination as Deputy Secretary of Defense has been sent to the Senate. He is president of the Champion Paper & Fibre Company, of Hamilton, Ohio.

The relatively low pay for men in the high Government positions has been a problem of Presidents for decades.

"But we are not going to try to push Government salaries high enough to make them competitive with industry," says one man who helped plan the new scale. "Yet we must not have salaries so low that they are disadvantages which outweigh the advantages of public service."

None of the proposed salaries is in line with those paid for comparable posts in private enterprise.

The head of the largest insurance business in the world, Commissioner Charles I. Schottland of the Social Security Administration, will get $17,500.

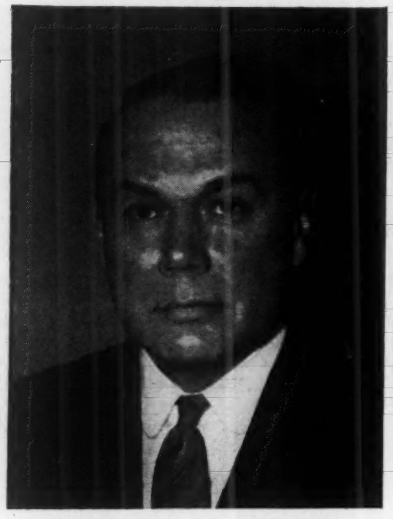
The physician who has more medical men working for him than any other M.D. in the world, the chief medical director of the Veterans' Administration, Dr. William S. Middleton, will get $17,800.

These increases would round out the 1955 series of raises. Higher pay has gone to Congressmen, federal judges, the armed forces, postal workers, Civil Service and other Government employes. All the raises together, if Congress grants this one, will cost the taxpayers 1.25 billion dollars a year.

Pay Plan for Government Officials

	PRESENT SALARY	PROPOSED SALARY
Cabinet members	$22,500	$27,500
Director, Budget Bureau	$17,500	$27,500
Director, Office of Defense Mobilization	$22,500	$27,500
Deputy Secretary of Defense	$20,000	$24,000
President's secretaries, staff assistants	$20,000 (maximum)	$24,000 (maximum)
Secretaries of Army, Navy, Air Force	$18,000	$22,000
Director, Federal Bureau of Investigation	$20,000	$22,000
Under Secretaries, deputy heads of departments, some administrators	$17,500 (maximum)	$21,000
Deputy Under Secretaries of State, deputy heads of some agencies, members of some federal boards	$15,000 (maximum)	$20,500
Assistant Secretaries, members of most boards and commissions	$15,000	$20,000
Scientists directing research and development	$15,000 (maximum)	$20,000 (maximum)
Top Civil Service employes	$14,800 (maximum)	$17,500 (maximum)

"I'm a Manger Man"



"I always stay at a Manger Hotel"

says MR. PHILIP A. STREICH

National Sales Manager
Kiwi Shoe Polish Company

"I spend a good deal of my business life traveling," says Mr. Streich. "And experience has taught me to stay at a Manger Hotel whenever possible.

"I like Manger service. It's warm, friendly *and* efficient. The hotels are located conveniently, and the rooms and restaurants are second to none. Manger is tops with me right now — yet each hotel is constantly being improved. In Cleveland, I found the Manger had been completely remodeled since my last visit."

Yes, Mr. Streich, we are spending millions improving all Manger Hotels. The improvements are continuing . . . to keep you and your associates more than satisfied with Manger accommodations.

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THE MANGER VANDERBILT
THE MANGER WINDSOR

WASHINGTON, D. C.
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Teletype reservations free by phoning your nearest Manger Hotel.
Children under 14 free, except in N. Y. C.

How Safe Is It to Plead The Fifth Amendment?

Troubles are piling up for witnesses who won't talk when asked about Communism.

Many are getting fired from their jobs.

It's not only in Government. Private employers, too, are getting rid of people who duck questions by congressional investigating committees.

Prospect is for less use of the Fifth Amendment.

Witnesses who plead the Fifth Amendment when asked about Communist affiliations now are finding that their silence may cost them their jobs.

In the U. S. Government, any employe who ducks congressional investigators' questions on Communism can expect to be dismissed from the federal payroll. This is generally true, also, in most States and many municipal governments.

In the armed services, let a man take the Fifth Amendment and his military career is virtually doomed. The promotion and honorable discharge that went to Army Maj. Irving Peress have been declared exceptions, not the rule. The Senate Investigating Subcommittee just last week urged vigorous action by the Army to see that no such mistake occurs again.

And in private employment, as well as public, use of the Fifth Amendment now is turning out to be a serious liability.

Among the latest to discover this fact were two newspapermen—Melvin L. Barnet, of the New York *Times*, and David A. Gordon, of the New York *Daily News*.

Both were named a few weeks ago by Winston Burdett, a news commentator for the Columbia Broadcasting System, as members of a Communist Party unit that existed on the now-defunct Brooklyn *Eagle* in the late 1930s.

Called before the Senate Internal Security Subcommittee last week, both refused, under the Fifth Amendment, to say whether they were Communists while on the *Eagle*, although they denied being Communists in recent years.

Soon after their testimony, both were dismissed from their newspaper jobs.

Many dismissals. What happened to Mr. Barnet and Mr. Gordon, the records show, was far from unique.

Three Newark, N. J., schoolteachers were suspended after refusing to answer congressional questions concerning Communist connections. Under similar circumstances, the General Electric Com-

- Wide World

IRVING PERESS
. . . a final report

—United Press

MELVIN BARNET
. . . dismissed from his job

pany suspended 7 workers, Bethlehem Steel suspended 2, and 2 other workers in Detroit auto factories were ousted from their jobs.

Professors at several universities, in the last few years, have been suspended, dismissed, or eased off the faculty following Fifth Amendment pleas.

What is happening, some officials in Washington say, appears to show a trend. More and more private employers are proving unwilling to keep on the payroll a worker who will not say whether he is —or has been—a Communist.

Use of the Fifth Amendment, it is being suggested, may decline in popularity as a result.

In Government posts, the trend now seen in private employment already has become a virtual rule. Under a 1953 presidential order, refusal to testify before a congressional committee can be considered in dismissing a federal employe on security grounds. In effect, as one official put it, "a Government worker who takes the Fifth Amendment on Communism had just as well resign."

The same is described by military officers as generally true in the armed forces—despite the contrary development in the Peress case.

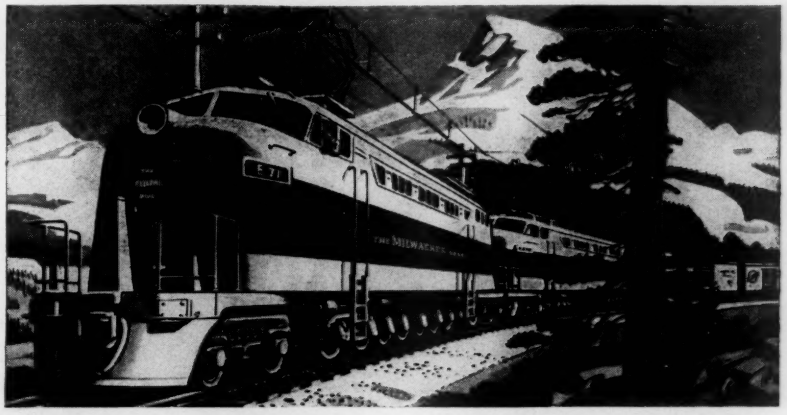
Red tape, errors. Major Peress was promoted and then honorably discharged in 1954 after refusing to tell the Senate Investigating Subcommittee whether he was a Communist. In its final report on the Peress investigation last week, the Subcommittee blamed the Army's action on numerous administrative errors and red tape.

Former Secretary of the Army Robert T. Stevens "or his superiors" drew criticism from the Subcommittee for delay in providing Congress with full information on the Army's mistakes. Former Army Counselor John G. Adams also was charged with showing "disrespect for this Subcommittee when he chose to disregard Senator [Joseph R.] McCarthy's letter of Feb. 1, 1954, and allowed Peress to be honorably discharged on Feb. 2, 1954."

To insure more efficient handling of such cases in the future, the Subcommittee recommended more and better personnel for security investigations, and a speed-up in disseminating the derogatory information turned up by investigators.

Among Senators approving the report was Senator McCarthy (Rep.), of Wisconsin, who initiated the Peress investigation last year when he was chairman of the Subcommittee. Mr. McCarthy commented that the report still did not clear up "who promoted Peress," but that it did give "a complete picture" of "the complete incompetence" with which the Army handled his case.

Lewis and Clark opened the Northwest but railroads like this one made it great!



A hundred and fifty years ago Lewis and Clark blazed a trail up the Missouri to Three Forks, Montana, now a flourishing cattle town on The Milwaukee Road.

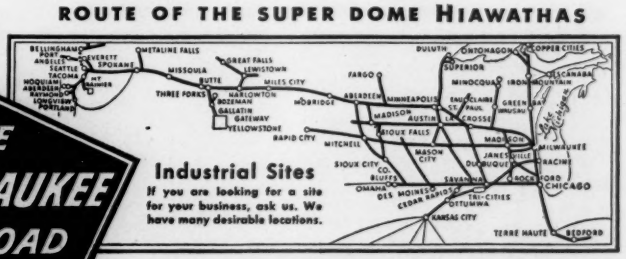
There the Indian maid, Sacajawea, persuaded her brother, a Shoshone chief, to guide the Lewis and Clark party safely to the Pacific Coast. Opening almost an entire continent, it was one of the dramatic explorations of history.

A business man wishing to undertake a profitable exploration of his own should study the Milwaukee's steel road to market. No arduous effort is needed.

Your nearest Milwaukee Road representative is a ready source of information on the facilities and abilities of this modern railroad. A phone call or note from you may open up a new world of shipping information.

SHIP—TRAVEL

ROUTE OF THE SUPER DOME HIAWATHAS



THE MILWAUKEE ROAD

Chicago, Milwaukee, St. Paul & Pacific Railroad

Headquarters: Union Station, Chicago 6, Illinois

Exclusive

PHOTO REPORT ON RUSSIA

LIFE AMONG THE RUSSIANS

This is the real Russia, in pictures.

The photographs on these pages have never before been published. They were taken in Russia only a few weeks ago by two touring Americans—Dr. Homer L. Dodge, a veteran educator of Burlington, Vt., and his son, Norton T. Dodge, a graduate student at Harvard specializing in Soviet economics.

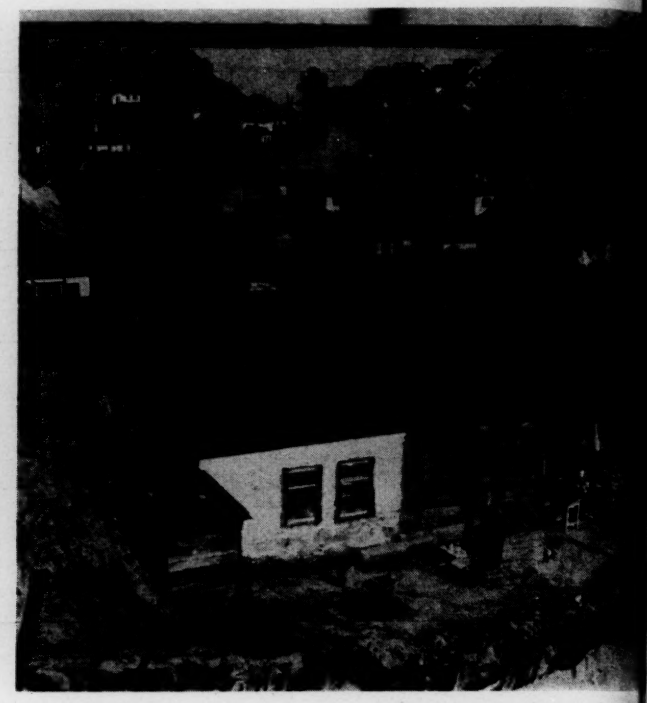
The Dodges traveled widely through Russia for a month. They had no official escort, could snap pictures nearly everywhere, with only occasional objections or restrictions.

In these pictures, you see both sides of Russia—not only the ornate façade displayed to visitors on guided tours, but also the squalor that Communists try to hide.

WINDOW SHOPPERS in Stalingrad. To buy one teakettle, it would cost this man 11 hours' wages.

UNIVERSITY STUDENTS in Moscow, chatting in the sun between classes. The dress of Russian students is varied—but it's not very smart.

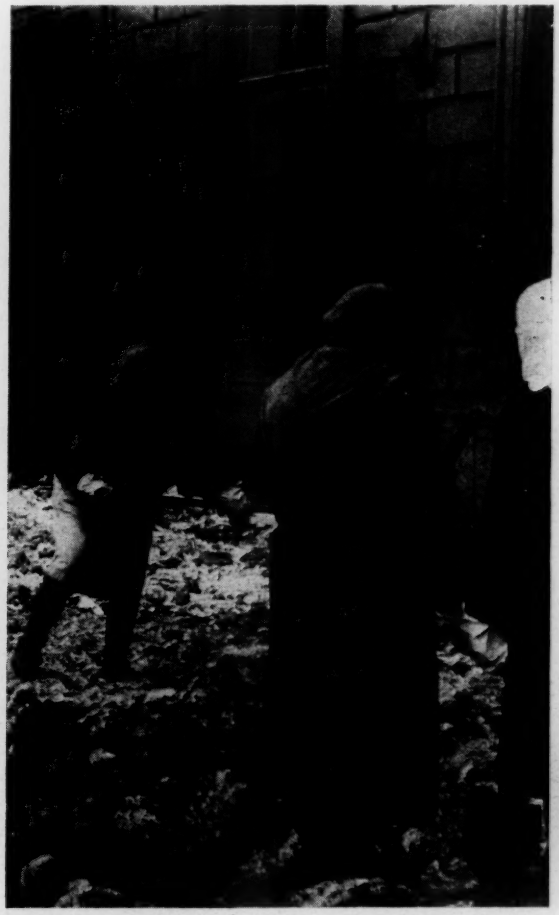
COMMUNIST PARTY RALLY in Leningrad on the anniversary of Lenin's birth. Only the party faithful attended.



NEW CONSTRUCTION (left) and OLD SLUMS (right), both in Stalingrad. As one old Russian said when asked how life is in Communist Russia: "For some people it's good, for some people it's bad, just like before the Revolution."

REPAIR OF BUILDINGS is a never-ending task in Soviet Russia, where many structures are very old and even new ones deteriorate rapidly because of shoddy materials and poor workmanship. This dilapidated building is in Moscow.

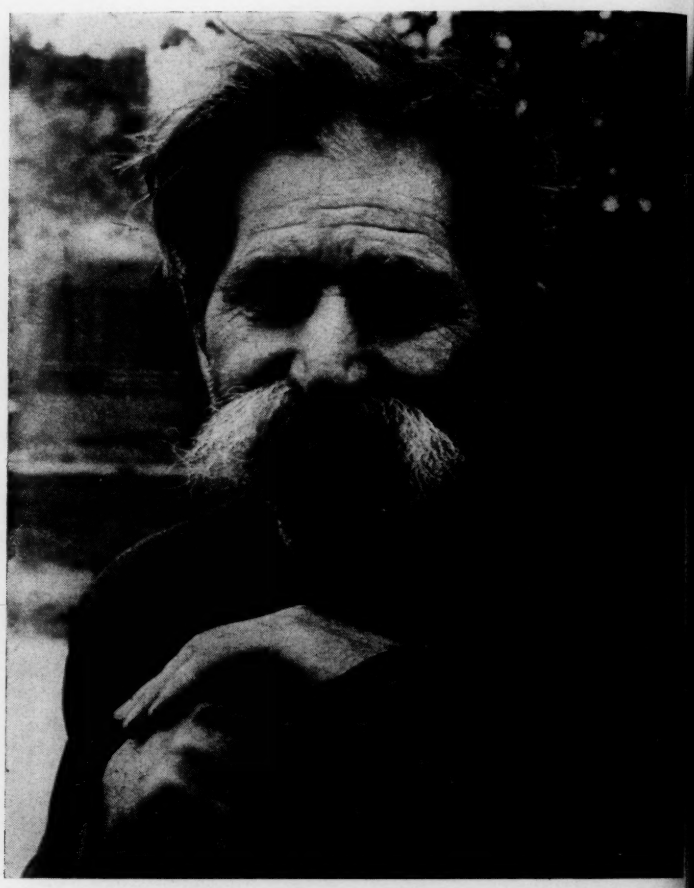
COLLECTIVE-FARM MARKET in Kharkov (above). City people trying to buy food must do their shopping early, because milk and vegetables are all sold out by afternoon. Produce is sold in open stalls such as shown below, where brooms are on display.



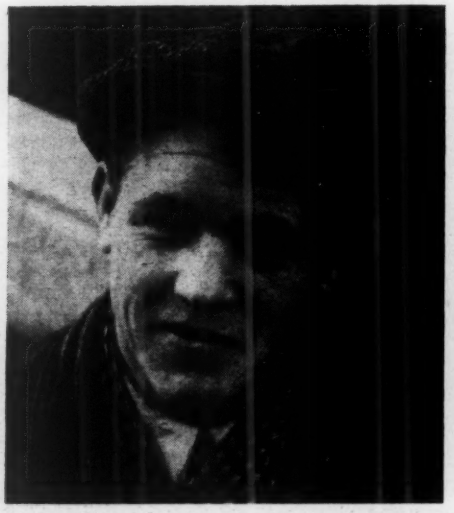
WOMEN WORKERS in Leningrad clearing away snow in a late spring. Much manual work is done by women.

SCHOOLBOY, in Russia, must wear a uniform. Boys' uniforms have a military appearance.

OLD WOMAN in Leningrad wears quilted jacket and scarf typical of Russian workers.



VETERAN of World War I. This man is a retired worker, living on retirement pay of 500 rubles a month—in buying power, less than $50.



LABORER in holiday attire. A tailored suit would cost him three weeks' wages.

CHILDREN PLAYING in mud behind dilapidated apartment house. Entire families live in one room. Hardly anyone in Russia has a lawn.

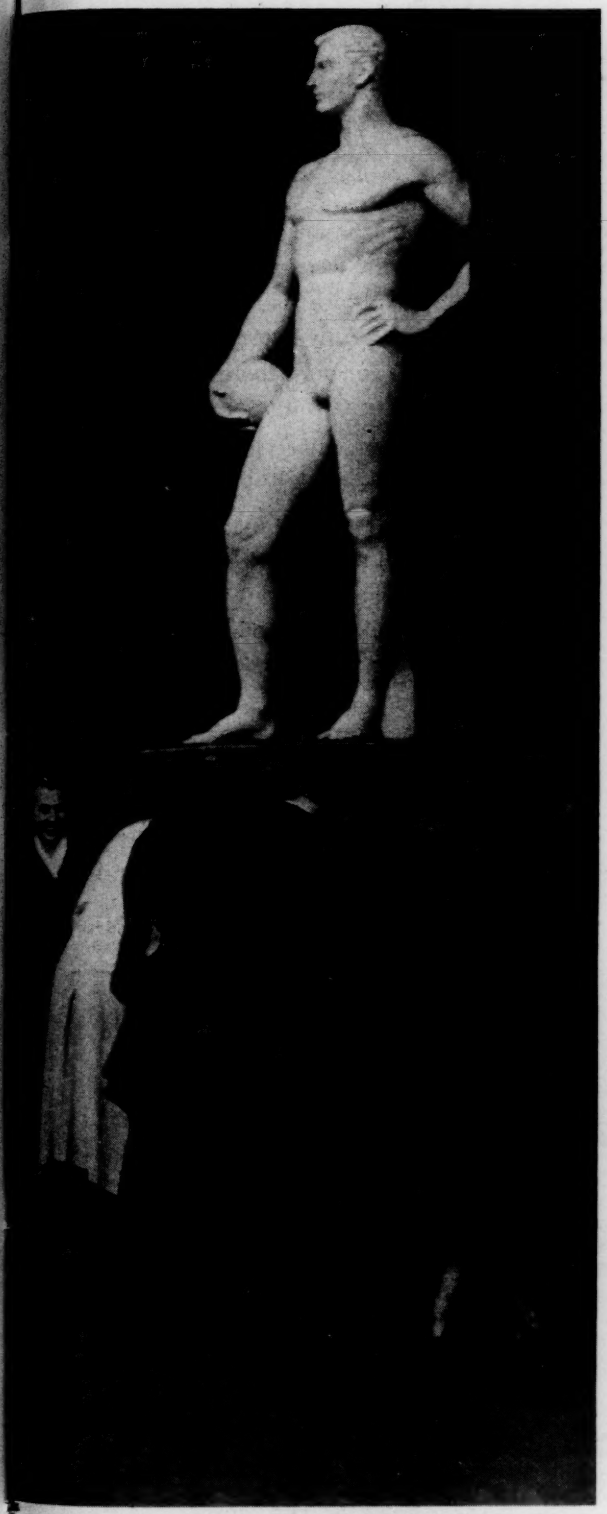
A CHILD, in Russia, is usually better dressed than his parents. This handsome youngster lives in Moscow.

CROCHETING WOMAN is sitting in the sun in front of her apartment building in Rostov.

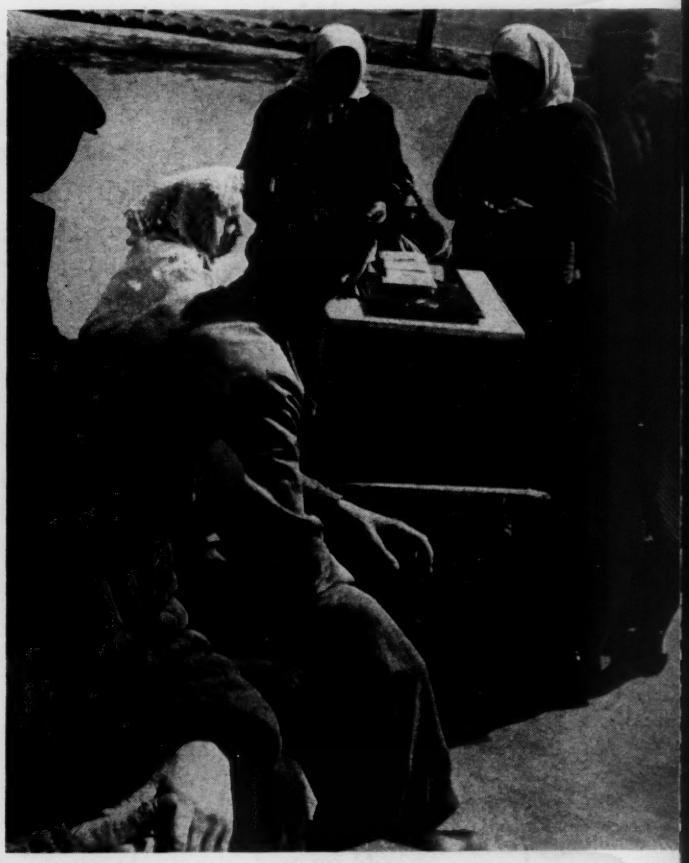
THREE MOSCOW GIRLS smile for the foreign photographer, ask for copies of their picture, and are disappointed when he cannot produce prints on the spot. The pretty girl on the left says she is a cook. Most Russian girls wear their hair long.

MAY DAY, the big Soviet holiday, is celebrated with impromptu street dances. A wandering accordionist provides the music.

TRANSPORTATION in Russia is still largely primitive. This horse-drawn wagon in Kharkov is typical of those used by peasants. That little three-wheeled car at left is of the type provided for crippled Soviet war veterans.

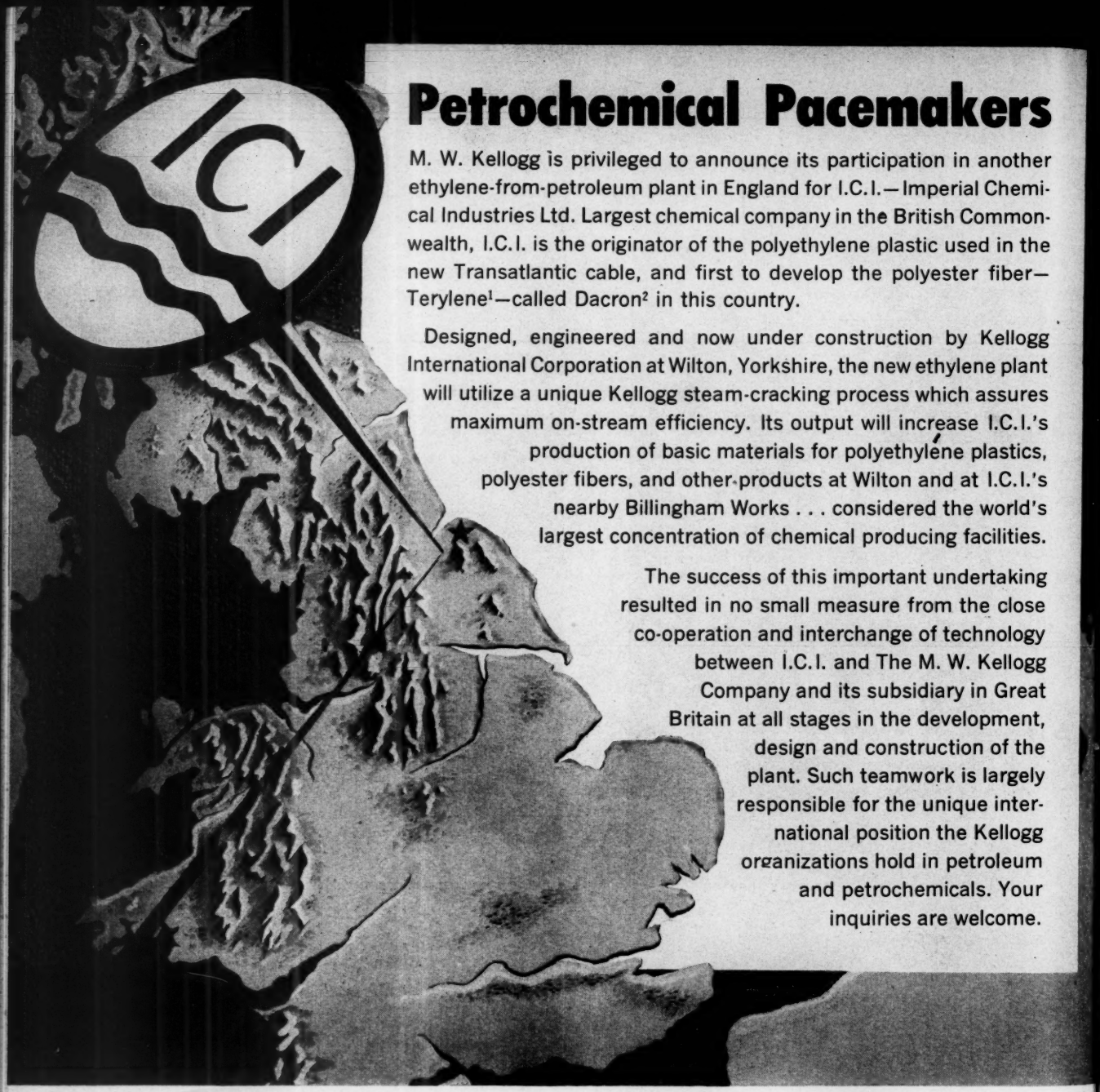


SOVIET STATUES not only deify the Communist leaders, but also idealize vigorous youth. This statue is in Moscow.



ICE-CREAM VENDOR finds customers among peasants lounging in front of the main department store in Kiev.

BOOKSTORE displays its wares on street. Russians are heavy readers. The prices of books are reasonable.



Petrochemical Pacemakers

M. W. Kellogg is privileged to announce its participation in another ethylene-from-petroleum plant in England for I.C.I.—Imperial Chemical Industries Ltd. Largest chemical company in the British Commonwealth, I.C.I. is the originator of the polyethylene plastic used in the new Transatlantic cable, and first to develop the polyester fiber—Terylene[1]—called Dacron[2] in this country.

Designed, engineered and now under construction by Kellogg International Corporation at Wilton, Yorkshire, the new ethylene plant will utilize a unique Kellogg steam-cracking process which assures maximum on-stream efficiency. Its output will increase I.C.I.'s production of basic materials for polyethylene plastics, polyester fibers, and other products at Wilton and at I.C.I.'s nearby Billingham Works . . . considered the world's largest concentration of chemical producing facilities.

The success of this important undertaking resulted in no small measure from the close co-operation and interchange of technology between I.C.I. and The M. W. Kellogg Company and its subsidiary in Great Britain at all stages in the development, design and construction of the plant. Such teamwork is largely responsible for the unique international position the Kellogg organizations hold in petroleum and petrochemicals. Your inquiries are welcome.

[1] *Registered Trademark of Imperial Chemical Industries Ltd.*

[2] *Registered Trademark of E. I. DuPont de Nemours & Co., Inc.*

M.W. Kellogg

ENGINEERING FOR TOMORROW

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SUBSIDIARIES OF PULLMAN INCORPORATED

EISENHOWER REMINDS LEADERS: "ALL PEOPLES WANT PEACE"

Following is full text of a radio-television broadcast made by President Eisenhower on July 15, 1955:

Good evening, friends. Within a matter of minutes, I shall leave the United States on a trip that in some respects is unprecedented for a President of the United States.

Other Presidents have left the continental limits of our country for the purpose of discharging their duties as Commander in Chief in time of war, or to participate in conferences at the end of a war to provide for the measures that would bring about a peace. But now for the first time a President goes to engage in a conference with heads of other governments in order to prevent war, in order to see whether in this time of stress and strain we cannot devise measures that will keep from us this terrible scourge that afflicts mankind.

Now, manifestly there are many difficulties in the way of a President going abroad for a period, particularly while Congress is in session. He has many constitutional duties. He must be here to perform them.

I am able to go on this trip only because of the generous co-operation of the political leaders in Congress of both parties, who have arranged their work so that my absence for a period will not interfere with the business of the Government. On my part, I promised them that by a week from Sunday, on July 24, I shall be back here, ready to carry on my accustomed duties.

Now it is manifest that, in a period such as this, the time I am able to spend abroad, we cannot settle the details of the many problems that afflict the world. But, of course, I go for a very serious purpose. This purpose is to attempt with my colleagues to change the spirit that has characterized the intergovernmental relationships of the world during the past 10 years.

Now, let us think for a moment about this purpose. Let us just enumerate a few of the problems that plague the world:

The problem of armaments and the burdens that people are forced to carry because of the necessity for these armaments.

The problem of the captive states, once-proud people that are not allowed their own form of government freely chosen by themselves and under individuals freely elected by themselves.

The problem of divided countries, people who are related to each other by blood kinship and divided by force of arms into two camps that are indeed expected to be hostile to each other.

And then we have the problem of international interference in the internal affairs of free governments, bringing about a situation that leads to subversion, difficulties and recriminations within countries, sometimes even revolution.

These problems are made all the more serious by complications between governments. These problems of which I speak have often arisen as the aftermath of wars and conflicts. But governments are divided also by differing ambitions, by differing ideologies, by mutual distrust and the alarms that these create. And because of the alarms they build up armaments and place their trust for peace and protection in those armaments, and these armaments create greater alarm, and so we have a spiral of growing uneasiness, suspicion and distrust.

That is the kind of thing that the world faces today.

Now, for these things there is no easy settlement. In the brief time that this Conference can exist, it is impossible to pursue all of the long, tedious negotiations that must take place before the details of these problems can be settled.

Many postwar conferences have been characterized too much by attention to details, by an effort, apparently, to work on specific problems rather than to establish the spirit and the attitude in which we shall approach them. Success, therefore, has been meager.

Too often, indeed, these conferences have been mere opportunities for exploitation of nationalistic ambitions or, indeed, only for sounding boards for the propaganda that the participants want to spread to the world.

If we look at this record, we would say: Why another conference? What hope is there for success?

Well, now, the first question I ask you: Do we want to do nothing? Do we want to sit and drift along to the inevitable end in such a contest of war or increased tensions?

We want peace. We cannot look at this whole situation without realizing, first, that pessimism never won any battle, whether it was in peace or it was in war.

Next, we will understand that one ingredient has been missing from all these conferences—an honest intent to conciliate, to understand, to be tolerant, to try to see the other fellow's viewpoint as well as we see our own.

I say to you, if we can change the spirit in which these conferences are conducted, we will have taken the greatest step toward peace, toward future prosperity and tranquillity that has ever been taken in all the history of mankind.

I want to give you a few reasons for hope in this project: First, the people of all the world desire peace. This is true for people everywhere.

I distinguish between people and governments here, for the moment, when we know that the great hordes of men and women that make up the world do not want to go to the battlefields. They want to live in peace—not a peace that's a mere stilling of the guns, but a peace in which they can live happily, tranquilly and in confidence that they can raise their children in a world of which they will be proud.

That common desire for peace is something that is a terrific force in this world and to which I believe all political leaders in the world are beginning to respond. They must recognize it.

Another item: Did you note this morning a speech made by Premier Bulganin in Moscow? Every word he said was along the line that I am now speaking. He talked of conciliation and tolerance and understanding.

I say to you, I say to all the world, if the words that he expressed are as truly reflective of the hearts and minds of the men and women in the Kremlin as we are sure they are reflective of the hearts and minds of all the people in Russia, as in the hearts and minds of all the people in the world everywhere—then there will be no trouble between the Russian delegation and our own at this coming conference.

Now I want to mention another item that is important in this problem. The free world is divided from the Communist world by an Iron Curtain. The free world has one great factor in common. We are not held together by force, but we are held together by this great factor, and it is

. . . "We shall be conciliatory . . . tolerant . . . firm"

this: The free world believes, under one religion or another, in a Divine Power, it believes in a Supreme Being.

Now, this, my friends, is a very great factor for conciliation and peace at this time, because each of those religions, each one of them, has as one of its basic commandments the words—terminology that is similar to our Golden Rule: Do unto others as you would have them do unto you.

This means that the thinking of those people is based upon ideas of right and justice and mutual self-respect, consideration for the other man. And this means peace, because only in peace can such conceptions as these prevail.

This means that the free people of the world hate war and they want peace and are fully dedicated to it.

Now, this country, as other free countries, maintains arms. We maintain formations of war and all of the modern weapons. Why? Because we must. As long as the spirit which has prevailed up to now is going to prevail in the world, we cannot expose our rights, our privileges, our homes, our wives, our children to the risks that would come to an unarmed country.

But we want to make it perfectly clear that these armaments do not reflect the way we want to live. They merely reflect a way under present conditions we have to live.

Now, it is natural for a people steeped in a religious civilization, when they come to moments of great importance, maybe even crises such as now we face, to turn to the Divine Power that each has in his own heart, believes in in his own heart, for guidance, for wisdom, for some help in doing the thing that is honorable and is right.

I have no doubt that tonight throughout this country, and indeed throughout the free world, such prayers are ascending. This is a mighty force.

And this brings to me the thought that, through prayer, we could also achieve a very definite, and practical result at this very moment. Suppose, on the next Sabbath Day observed by each of our religions, America—165 million people of us—went to our accustomed places of worship and, crowding those places, asked for help and by so doing demonstrated to all the world the sincerity and depth of our aspirations for peace.

This would be a mighty force. None could then say that we preserve armaments because we want to. We preserve them because we must.

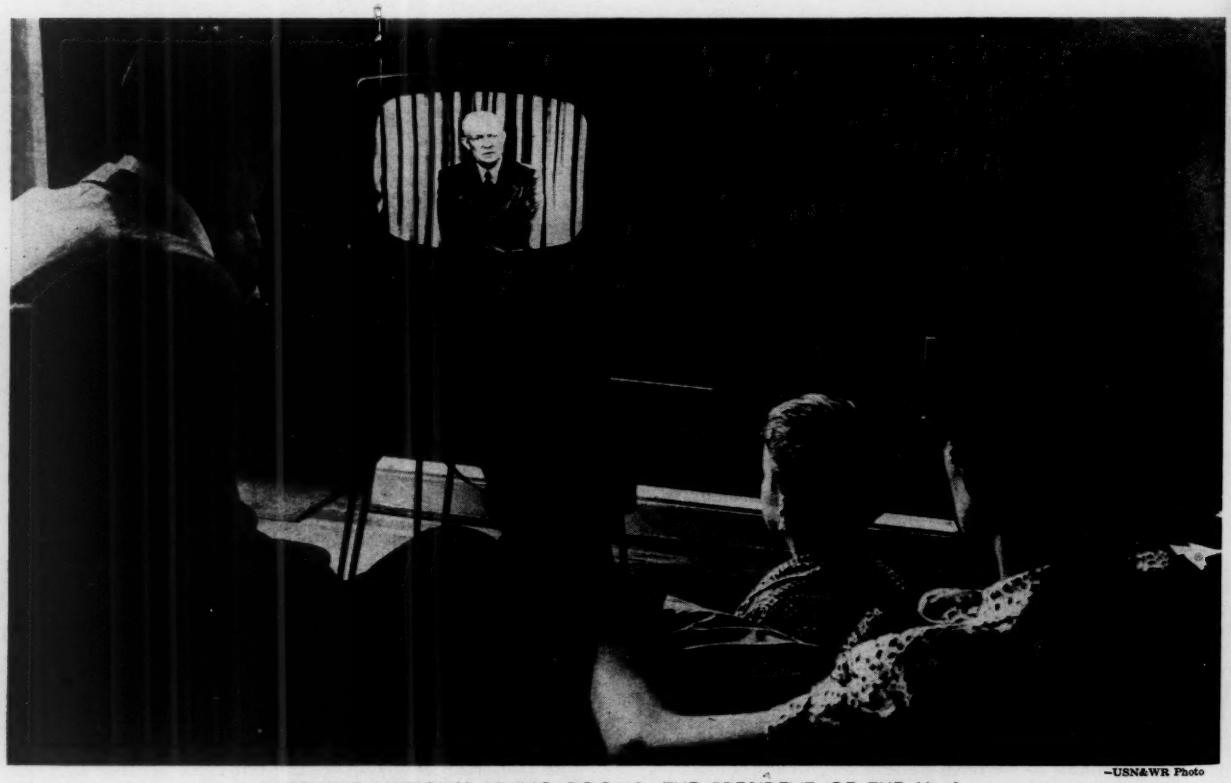
My friends, Secretary Dulles and I go to this Conference in the earnest hope that we may accurately represent your convictions, your beliefs, your aspirations.

We shall be conciliatory, because our country seeks no conquest, no property of others. We shall be tolerant because this nation does not seek to impose our way of life upon others. We shall be firm in the consciousness of your spiritual and material strength, and your defense of the right.

But we shall extend the hand of friendship to all who will grasp it honestly and concede to us the same rights, the same understanding, the same freedom that we accord to them.

We, the Secretary and I, shall do our best with others there to start the world on the beginning of a new road, a road that may be long and difficult, but which, if faithfully followed, will lead us all into a better and fuller life.

Thank you. Good night.



—USN&WR Photo

INTO THE NATION'S LIVING ROOMS: THE PRESIDENT OF THE U. S.

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The Cable that keeps itself young!

THE PROBLEM: Ever look down a manhole when the electric company was installing cables? Those big ones — sheathed in lead — are insulated with paper impregnated with oil.

This oil is part of the insulation of the cable. But just as with the oil in your car, impurities build up when the cable is in use. Heat and electrical stress cause this. And when oil deteriorates, cable doesn't last as long.

THE SOLUTION: Engineers of Anaconda Wire & Cable Company designed a power cable incorporating carbon-black tapes. When the oil contacts these carbon-black tapes, the impurities are "adsorbed." The oil stays fresh. The cable lasts longer, needs less servicing and better helps your electric company maintain continuity of service to you.

THE FUTURE: Helping America's power and light companies satisfy today's constantly growing need for electricity is one of the many ways Anaconda enters into your daily life. For *only* Anaconda offers such a rare combination of experience in the mining, refining, and fabrication of non-ferrous metals — in copper, brass, bronze, aluminum . . . in the production of lead, zinc, uranium concentrates and many other metals. That is why the *Man from Anaconda* is a good man to know, whether you want the latest in money-saving wire, tested metals for vital equipment, or assistance in engineering problems. *Anaconda, 25 Broadway, New York 4, N. Y.* 55210

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FROM THE CAPITALS OF THE WORLD

HONG KONG....BONN....BERLIN....BELGRADE....

>> In Europe, at Geneva, the talk is of peace, mutual trust. In Asia, away from the limelight, Communists are getting set to annex another country.

Strategic Laos seems to be next on the Communist list.

It's under heavy pressure both from Communists inside the country and from its well-armed neighbors, Communist Vietnam and Communist China.

Question: Who's to stop the Communists this time? Laos is far away.

>> To understand what's going on in Laos, to give you an inside view.....

Communists, who once marched deep into Laos, then retreated, are still in two northern provinces. Geneva truce of year ago said they could stay--if they demobilized and accepted the authority of the Laotian Government.

Truce terms, however, have been flouted by Communists for months. They've refused to let Laotian officials into northern provinces, refused to demobilize troops; instead, have smuggled arms in from neighboring Vietnam and China.

Fighting between Communists and Royal Laotian forces has finally called attention to what the Communists are up to. They're in Laos to stay. Propaganda blasts from Peiping and Hanoi make quite clear who is backing them.

>> Odd thing about the situation in Laos is this:

Anti-Communist power, the Royal Laotian Army, is strong enough to chase Communists out of Laos, and for months has wanted to do just that.

Royal Army of 30,000, fairly well armed, reasonably effective, opposes a force of about 3,000 Communists in Laos. That's a 10-to-1 superiority.

Anti-Communists in Laos thus have the military power to crack down hard on Communist insurgents, make them live up to the Geneva truce terms.

But when you ask why Laos hasn't used this power.....

Neutral India shows up as the obstacle. India, in the chair, is in control of Geneva truce commission. Every time Laotian Government proposed sending its Army against the Communists, Indian officials intervened.

India's reasoning is that nothing must be done to upset "stability," even if the Communists in Northern Laos are violating the truce terms.

Indian stalling, as a result, is a blow at Laos, a gift to Communists.

>> Observers in Laos predict that, in another six months or so, the Communist forces may be too tough for the Royal Laotian Army to handle.

Arms are flowing into Northern Laos in increased volume from both China and Vietnam. Agents from Communist Vietnam are helping Laotian Communists train and recruit a bigger Army, and providing skilled military guidance as well.

Communist politicians, at same time, are busy lining up votes throughout

(over)

Laos for its first general election, due in December. Government politicians are sitting on their hands, doing almost no campaigning.

The way things are going, Communists can win the election by default.

It's a two-way attack on Laos. Victory at the polls is one possibility. Conquest by force is the other. Should the vote go against the Communists, they'll probably be strong enough by then to take Laos by force if they want to.

>> It's taken for granted in Laos that Communist leaders will wriggle out of pledges to Premier Nehru of India, among others, guaranteeing no intervention, no infiltration of Laos. Way out of this pledge will be to claim that Laos is being "liberated" by Laotians, thus making an outside job look like an inside one.

U.S. action, armed support for Laos under terms of Manila Pact, apparently is discounted by Communists in the present relaxed mood of the world. No one is talking about sending U.S. troops or planes to far-off Laos.

>> That new German Army, key topic at Geneva, is still years away.

First installment authorized by West German Parliament is to be limited to 6,000 volunteers. And they are to be used in liaison jobs with Allies, not organized into tactical units. First draftees, nucleus of the Army, are not to be called until late in 1957--provided necessary laws are passed first.

Mood of the Parliament in Bonn is to rearm slowly and cautiously.

Caution is partly from lack of popular enthusiasm for rearming, partly from fear that new German Army, like old ones, might try to run the country.

German idea now is to make sure of civilian control before the Army comes into being. West German Parliament is writing this civilian control into law, insisting on a voice in picking top officers, in Army pay, in Army rules.

>> While Geneva keeps the spotlight on this West German Army.....

An East German Army, armed, trained and controlled by Soviet Russia, is already in existence. It's just not talked about by Moscow. It's not called an Army, but "People's Police." However, as East Germans who were in it can testify, it's actually the nucleus of a Soviet-German National Army.

As it stands, it's a force of 100,000 men, equipped with heavy guns, tanks and planes, all supplied by Moscow, organized along the usual Soviet lines.

It's a fact to keep in mind while Geneva argues over West German rearming.

>> Marshal Tito of Yugoslavia, like Nikita Khrushchev of Soviet Russia, is having trouble with the peasants. They aren't producing enough food, not even as much as they produced before the war when Yugoslavia had fewer to feed.

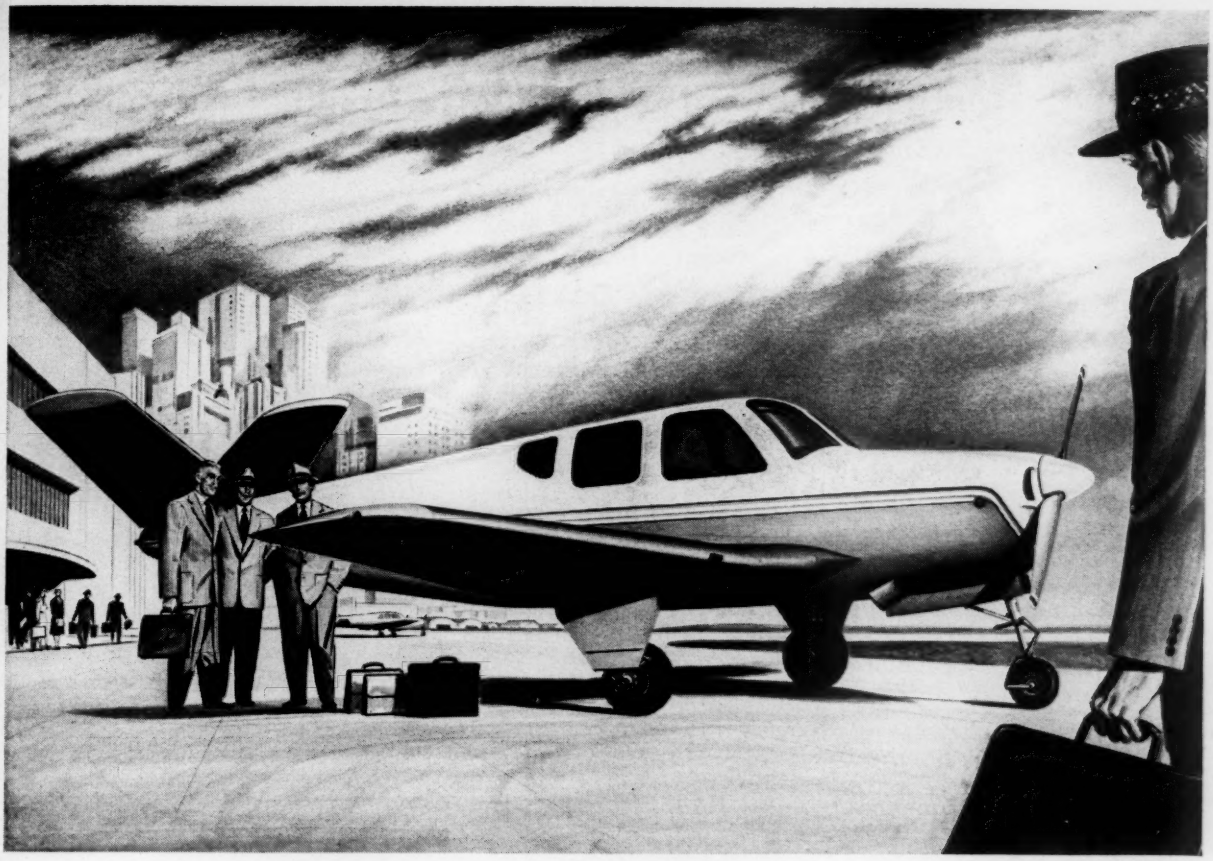
Tito's difficulty is that Yugoslav peasants are deeply suspicious. They recall how they lost their land once under collectivization, fear its return. They mistrust Belgrade. They keep output low, hoard it, sell in black markets.

What Tito needs, though, is a big surplus of foodstuffs for export, to pay for essential imports, to pay off Yugoslavia's soaring foreign debt.

As an emergency, Tito is raising prices to farmers sharply, in order to stimulate production. Consumers, at the same time, are being deliberately squeezed, forced to pay more for food, as an anti-inflation device, forced to stand in line for hours for flour, sugar, lard. Consumer riots are one result.

Chances are, Tito's price rise will not rid peasants of their suspicions.

Tito is in an economic jam. He's already looking to U.S. for more help.



Person to Person

Personal contact often spells the difference between success and failure in any business undertaking. The needs for on-the-spot sales presentations . . . for executive inspection of branch facilities . . . for person-to-person consultation demand the utmost from the sales and service forces and may exceed the physical capabilities of the executive team.

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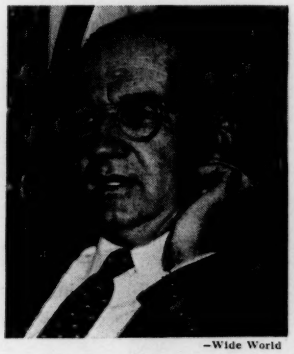
THE MAN ..Marion B. Folsom **THE NEWS** ..Accent on Health

A Pioneer Tackles Social-Welfare Problems

The Eisenhower Cabinet gets a new member. Mr. Folsom, an expert, takes over the Social Security system. He wants more people covered, but thinks health insurance needs no Government support.



—Wide World

MARION B. FOLSOM is taking over a job that, as he himself puts it, "touches the lives of nearly everyone." Mr. Folsom, 61, slight, ruddy and amiable, has been named Secretary of Health, Education, and Welfare.

This means, first of all, that he will be in charge of the vast and still-growing Social Security system, a field in which he is a recognized expert. The Public Health Service, with its many medical-research projects and its control over the release of Salk antipolio vaccine, falls in his domain. So, too, do federal aids to education. His big job ahead, Mr. Folsom believes, lies in the fields of health and education.

In his new Cabinet post, Mr. Folsom succeeds Mrs. Oveta Culp Hobby, who resigned for urgent personal reasons and, she said, not because of criticism of her handling of the vaccine situation. Mrs. Hobby herself recommended Mr. Folsom as her successor months ago, it now develops.

Mr. Folsom, a businessman with a bent toward social service, goes to the new job from the Treasury. There, he has been serving as Under Secretary in charge of tax policy. Last year's 900-page recodification of the tax laws is said to bear many evidences of his own long, hard and thoughtful work.

Beyond that, he is a pioneer in the field of Social Security and often is called one of the fathers of the present system. Back in 1934, President Franklin D. Roosevelt named Mr. Folsom to an advisory council that prepared the original Social Security Act. Since then, he usually has been consulted on revisions and has kept himself intimately informed on the law and its administration. Now:

More coverage. Mr. Folsom thinks the Act is "in pretty good shape," but he wants coverage extended to include more people and groups—such as self-employed physicians, lawyers and dentists. Most of these groups, he observes, now seem ready to come into the system, except doctors of medicine.

A bill drawn by Democrats and just approved by the House Ways and Means Committee would bring all these groups, except the physicians, into the system and, of course, up to that point has Mr. Folsom's approval. His attitude on other provisions of the measure, however, is less clear. This time, he was not con-

(Continued on page 56)

PRESIDENT EISENHOWER WITH MRS. HOBBY

—United Press

MR. FOLSOM WITH TREASURY'S GEORGE HUMPHREY

The retiring Secretary chose her successor

Gardner-Denver MAKES AIR DO MORE AT LESS COST

Keller Tool Air Hoist lifting rear auto axles onto an assembly line conveyor.

FOR AMERICAN INDUSTRY—A LIFT THAT NEVER TIRES

. . . another example of KELLER TOOL ingenuity

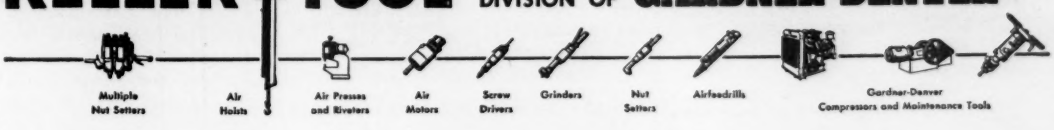
America's ever-hungry assembly lines demand continuous feeding. And that, in turn, often calls for lifting devices that can work continuously—hour after hour if need be.

Keller Tool's answer to this need is the Air Hoist—the hoist that never tires. Its air motor cannot burn out, even when stalled. It needs no pampering—no "rest periods."

With its infinite number of speeds, the Air Hoist can move loads up or down at any desired rate—fast or slow as the job requires. Weighing only 28 pounds—easily carried under an arm or up a ladder—it can lift loads up to 1,000 pounds. (Other capacities from 150 to 2,000 pounds.)

Like all Keller Tool products, the Air Hoist is designed for heavy-duty service — as amazingly low maintenance cost records prove. For details about Keller Tool air tools — engineered to industry—write Keller Tool Division, Gardner-Denver Co., Grand Haven, Michigan.

KELLER TOOL DIVISION OF **GARDNER-DENVER**



GATEWAY TO BUSINESS IN INDIANA

The Indiana National Bank

OF INDIANAPOLIS

Condensed Statement of Condition

at close of business June 30, 1955

RESOURCES

Cash on Hand and on Deposit with Federal Reserve and Other Banks	$117,335,832.30	
U. S. Government Securities	174,535,258.66	$ 291,871,090.96
Other Bonds and Securities		28,710,957.39
Stock in the Federal Reserve Bank		750,000.00
Loans and Discounts		112,899,030.28
Bank Buildings		3,000,000.00
Accrued Interest Receivable		1,268,887.11
Other Resources		213,271.65
		$438,713,237.39

LIABILITIES

Capital	$ 10,000,000.00	
Surplus	15,000,000.00	$ 30,435,167.53
Undivided Profits	5,435,167.53	
Accrued Interest, Taxes and Other Expenses		1,711,621.55
Dividend Payable January 3, 1955		300,000.00
Deposits		405,360,952.18
Unearned Discount		811,762.57
Other Liabilities		93,733.56
		$438,713,237.39

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MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Private health insurance favored by Mr. Folsom . . .

sulted on the drafting of the bill and, for the present, is not commenting.

Among other things, the new measure would permit retirement with pensions of women at the age of 62 instead of the present 65, thus facilitating the retirement at 65 of men whose wives are younger than they are. Indications are Mr. Folsom would have no objection to this provision.

Another clause of the bill, however, would provide federal benefits to the totally disabled at the age of 50 instead of 65. In the past, Mr. Folsom has held back on disability compensation because, in part at least, of the difficulty in determining, in many cases, whether or not disability is total.

Health insurance. Mr. Folsom says much remains to be done in the field of health and health insurance. On this point, he has his own ideas and they do not necessarily include Government help. Mrs. Hobby had backed a system whereby the Government would contract to protect private insurance companies against undue losses. The plan, called "reinsurance," was turned down by the House of Representatives last year.

It is Mr. Folsom's opinion, however, that private insurance companies can and should expand voluntary health insurance without turning to the Government for guarantees against losses. In this field, he is interested, first of all, in what he calls "catastrophic illness," the cost of which far exceeds ability to pay.

To prepare for such situations, Mr. Folsom urges voluntary insurance policies resembling the familiar "$50 deductible" policies for damage to an automobile. In this case, the patient would pay the first $100, for example, and a percentage of all over that amount.

Former Democrat. Mr. Folsom was born in Georgia and retains, despite years in the North, much of his Southern drawling accent. He chuckles as he says he was "raised a Democrat." But, in Rochester, N. Y., where he rose to high position in the Eastman Kodak Company, he became an independent and now is a registered Republican.

After graduation from the University of Georgia and the Harvard School of Business Administration, Mr. Folsom went to work at Eastman Kodak immediately. Up to that time, as he tells the story, he had given no thought to such matters as social security.

The late George Eastman, founder and head of the company, however, was much interested in such questions. A profit-sharing plan already had been installed. Mr. Folsom became Mr. East-

. . . While in Treasury, Secretary revised tax code

man's personal assistant and was asked to work out a pension system. It was put in operation in 1928, one of the first.

Then came the depression. Eastman Kodak and 17 other Rochester companies devised a plan for unemployment payments similar, Mr. Folsom says, to those recently introduced at the Ford Motor Company and General Motors Corporation.

As a pioneer in the field, Mr. Folsom was invited to help formulate the first Social Security bill. He also has served on the Commerce Department's Business Advisory Committee and was one of the founders and the head of the Committee for Economic Development, a group of businessmen who study trends and make recommendations for Government action in such broad fields as taxation and the budget.

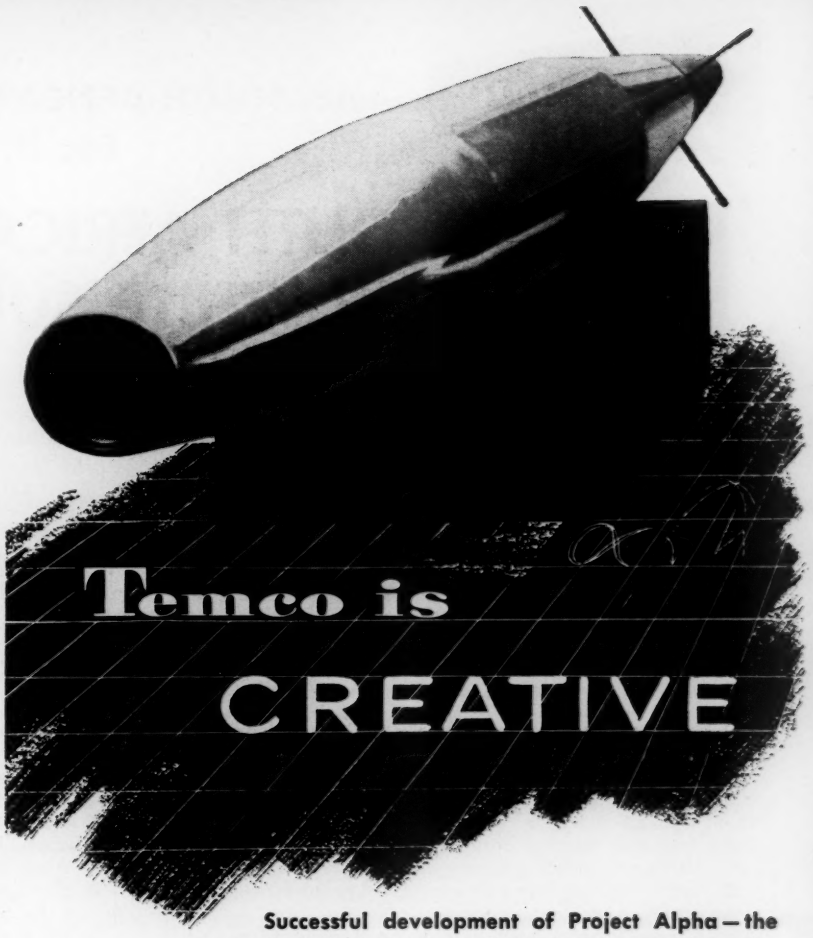
In the Treasury, Mr. Folsom's primary job was recodification of the tax laws and working out general tax policy with Secretary George M. Humphrey. With the tax law written, he was planning to return to Eastman Kodak, of which he had been treasurer and a director. Last February, however, Mrs. Hobby told him of her own plans for leaving the Government, suggested he be her successor and took the idea to President Eisenhower. Mr. Folsom and the President discussed the possibility then and again in April.

It was decided to postpone the shift until toward the close of the congressional session. Meanwhile, too, the polio-vaccine controversy arose, and Mrs. Hobby was reluctant to leave while under fire.

The Secretary. Mr. Folsom thinks the Department he is to head, beginning August 1, is running along smoothly and efficiently. The polio-vaccine program is getting back on the tracks, with an ever-increasing release of the vaccine in prospect. Mr. Folsom sees few really irksome problems ahead.

A gentle, retiring man, Mr. Folsom is uncertain how he will feel in a position of recognized leadership as a member of the Cabinet and a sure target of numerous criticisms. He prefers to work in the background.

Quickly, he confesses that he knows little about education or about the many medical-research projects of the Public Health Service. Some backers of these programs express a fear that, coming from the Treasury, Mr. Folsom may bring a pinchpenny attitude with him. But, on one thing there is general agreement: In Mr. Folsom, the President has found an outstanding authority to take charge of the Social Security system.



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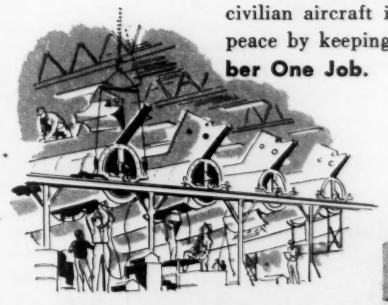

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Interview with SOUTH AFRICA'S FOREIGN MINISTER

Eric H. Louw

WHAT SOUTH AFRICA IS DOING TO KEEP WHITE SUPREMACY

More and more segregation—this is South Africa's remedy for its racial problem. Trend is exact opposite of that in U. S.

How is South Africa's policy working out? Can the white minority make the policy stick? What do the people—white, black, colored—have to say about it?

To answer these questions, *U. S. News & World Report* interviewed E. H. Louw, South Africa's Minister of Finance and External Affairs, while in Washington recently.

Mr. Louw was his country's first governmental representative to the U. S., in 1925. He has held a Cabinet post since 1948.

Q Could you tell us something about the racial problem that you have in the Union of South Africa, Mr. Louw?

A That is a big question. We have several races—not only whites and natives, but Indians and people of mixed blood whom we call "coloreds." However, the principal problem is the fact that the non-Europeans are a big majority, far outnumbering the white population.

Q How would you compare your racial problem with that in America?

A In your country, you have a small minority of Negroes. If the problem in America were anything like it is in South Africa, you would have, say, only 30 million white people here and 130 million Negroes. Our policy of "apartheid"—i.e. separate development—has been severely criticized. But, if, for instance, there were in the Philippines a Chinese population outnumbering the Filipinos by 5 to 1, I don't think they would like it a bit! Nor would you like to have 130 million Negroes and only 30 million whites in the U.S.A. Your whole attitude toward the color problem would change.

That is the situation we have in South Africa. We came to South Africa 300 years ago—Dutch settlers, the same people who came here to America about 20 years earlier. There were French Huguenots, English, Germans. When the first Dutch settlers arrived there to establish their settlement, there were no natives in South Africa. That is a point that is not generally known.

Q Could you give us a population breakdown—the racial division of South Africa?

A The whites are about 2.6 million, the coloreds around 1 million, the Indians about 350,000 and the balance natives —or about 8 or 9 million. So the European population is a very small minority.

Q What people were there before the whites arrived?

A The Hottentots and Bushmen. The Bantu natives moved down from the north and they were just starting to come from the southern part of Rhodesia, north of what is now South Africa. There were no natives (Bantu) in South Africa.

Q We don't understand what you mean by "natives"—there was a resident population, wasn't there?

A Yes. There were the Hottentots, but they were an entirely different race. The Bantu is a physically strong type—well built—he was a superior-type person. The Hottentot was rather like the Australian aborigine.

Q What has happened to the Hottentots?

A They were around the western part of the Cape. The rest of the country was unpopulated.

Q Are the Hottentots still there?

A The Hottentots are the basis of what we today call the Cape colored population. The Hottentot was more of a beachcomber type. In about 1713, or thereabouts, a large part of the Hottentot population died from an epidemic. Today they are the basis of the colored population. The point that is not appreciated is that South Africa was not originally populated by the Bantu. They came there the same time as the white man.

It was the European settlers that built up the country. You had your pioneers who went to the West. We had ours who went north. These pioneers never attacked the natives. The Dutch pioneers opened up the country, and successive generations of Europeans built South Africa into what it is today.

South Africa is an outpost of European civilization. We whites are a small minority. We are in South Africa to stay. We who are of Dutch stock cannot go back to Holland and so also South Africans of English descent who have been there for two or more generations wouldn't wish to go back to England. We must stay there. Our children and future generations must stay in South Africa. They have nowhere else to go.

Q You are a South African then?

A As much as you are an American. We have to remain there, and we must maintain our position as Europeans. We must retain the control of affairs in South Africa. It is quite out of the question to give the franchise to the non-Europeans on an equal basis. They are in a majority—of al-

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Reds Stir Up Discord . . . Main Trouble in Cities . . . "Most Natives Happy" With Segregation . . . Wiping Out the Slums

most 5 to 1—and would eventually rule the country. And that would be the end of European and Christian civilization in South Africa.

As they become educated, and with communistic propaganda, the natives are now demanding full political equality.

At a big meeting in Johannesburg a few days ago, they demanded full equality with the white man. If we were to give them equality of franchise, then eventually the white man would be outvoted, and the non-Europeans would have control. The present laws which are for the purpose of keeping the races separate, allowing each race to develop along its own lines in its own areas—those laws would all be swept away. European and Bantu would live together. There would be miscegenation, and in another 100 years, or even earlier, South Africa would become a country with a large mixed population.

The whites would be in a very small minority and the Bantu and other nonwhites would take control of the country. The white population would find it impossible to maintain its position as a European race—as has happened in some of the Central American countries. Alternatively the whites would have to leave the country.

From the point of view of maintaining the position of western peoples it is necessary that the white population should be in control in the southern end of the African continent. The continent of Africa is bound to play an important role in years to come. It is midway between the East and the West. And the route around the Cape of Good Hope is still the sea route between the West and the East. If atom bombs should destroy the Panama and the Suez canals then the sea route from East to West is via the Cape.

It is necessary in the interest of the Western nations that the southern end of the African continent should be in control of a European people. If the non-Europeans were to receive equal political rights, they would control the situation and the Europeans would have to abdicate. We are not prepared to abdicate.

Q Then integration would be fatal to the white man?

A Yes. The small white population would be overwhelmed. There would eventually no longer be a white or European civilization.

Q Do you think it is wise to educate the natives?

A Oh yes. Our educational system in the Bantu schools is, in the first instance, directed to educating the Bantu children so they can read and write properly—the three R's—and then to educate them along vocational lines.

Q Can a native have a professional education—law and so on?

A Certainly, if he wishes to do so. The necessary facilities are there. According to the policy of "apartheid," the plan is that the Bantu or other non-Europeans will, in their own areas, become the officials—they will be the postmasters, the magistrates, the tax collectors and what not. The Cape colored people, in areas where they live, are being given such positions.

(Continued on next page)

–USN&WR Photo

MR. LOUW IS INTERVIEWED IN THE CONFERENCE ROOM OF *U. S. NEWS & WORLD REPORT*

. . . "80 per cent of our natives are still primitive"

Q You have a few native doctors and lawyers, don't you?

A Yes, in the cities and larger towns.

Q What attitude are they taking toward the "apartheid" policy?

A The bulk of the natives in the territories are perfectly happy with the position as it is. I have here a statement by Cyprian, the paramount chief of the Zulu nation, in a letter which he wrote to a church magazine. He said:

"The good thing that I see in our Government is the promise that we were able to control our own affairs in accordance with our traditions. We also express our thanks that we are being taught to improve our cattle and their pasturage.

"I also wish to say thank you that this Government regards itself as our father, which means that we are its sons. That I regard as something very nice, because it will mean that there will be a right understanding between us, as there is between a father and his son. A father takes note of his son's requests. As a father regards his son, so does the Government regard us."

Q Is the chief educated?

A Up to a point, yes.

Q What about the educated natives?

A Unfortunately many of the educated natives in the cities and large towns, have come under the influence of the Communists. On the other hand, there are a number of them who are not influenced by the propaganda. When, about three years ago, natives at Port Elizabeth and East London started a riot, the other natives moved out and declined to have anything to do with it.

These natives showed that they were still savages. They turned on a Catholic nun, who had been working amongst them and had been very good to them. They killed her, cut her up and ate her that same evening. That was at East London, one of our larger cities.

EDUCATING THE NATIVES—

Q What about education and health services for the Bantu?

A We are doing more for the Bantu than any other state south of the Sahara. The per capita spending by the Government on native education, social and medical services is from 7 to 12 times more (varying according to countries) than any of the territories south of the Sahara.

Q Is that for all classes of people?

A Only the natives—only the Bantu. Far more is spent on the Cape coloreds, because they live on a higher scale.

Q Could you compare that with the expenditure for white education in South Africa?

A The white education is much higher because the standard of education is much higher. As I told you, about 80 per cent of our natives are still primitive. It costs you far less to give children an elementary education than to educate them up to a university standard.

Q It isn't your policy to provide equal facilities for the natives with the whites, is it?

A Old age and disability pensions for the Bantu are much lower than for the whites, but again I must point out that a large percentage of the natives are a primitive people whose needs are much smaller than the white man, who lives on a much higher standard. Don't make the mistake of comparing the bulk of our natives with your Negroes living in Harlem or even in the South, for that matter—except for those who live in shacks down there. After 200 years of civilization, your Negroes have developed—their standard of life has increased.

Q Is native education a recent thing in South Africa?

A No. The natives have been educated over the years.

Q Do you hope to move toward a goal of equalization of educational facilities—eventually?

A Yes. To the extent that they can afford it, there is nothing to prevent a native or colored person from attending the Cape Town, Witwatersrand or Natal universities—there are a number of them there—Fort Hare University-College is only for native students.

Q How is that financed?

A The Government subsidizes the University-College.

Q How are the students selected?

A If a Bantu has passed the matriculation examination, he is entitled to be enrolled at those universities. There is nothing to prevent a native from acquiring an education. University students have to pay fees.

Q Is Cape Town University what we would call a nonsegregated university?

A It is nonsegregated, but they don't mix socially.

Q But they have integrated classrooms?

A Yes.

Q Do you foresee the time when the native population in South Africa will progress to the white man's standard of living and capabilities?

A It will be a very long time.

I come back now to our policy of native reserves. There are large reserves in the Transkei (Cape Province) and Natal. There are also large areas reserved for Bantu occupation in the Transvaal. When it is found that a particular area is not enough, the Government buys up adjoining European farms. The farmers receive a fair value for the ground and also compensation for inconvenience suffered. The Government expropriates the ground and it becomes a native reserve.

Within the Bantu reserves the native chiefs are given the necessary authority. They have their own schools there, and there are also agricultural farms where the natives are taught modern agricultural methods. They are happy in their own territories, I can assure you. Trouble does not come from the native areas. Troubles arise in the cities, where the natives make contact with the white man, and with agitators.

POPULATION RISE IN CITIES—

Q Is the white man outnumbered by natives in big cities such as Johannesburg?

A The population of Johannesburg is about 900,000, of whom about half is Bantu.

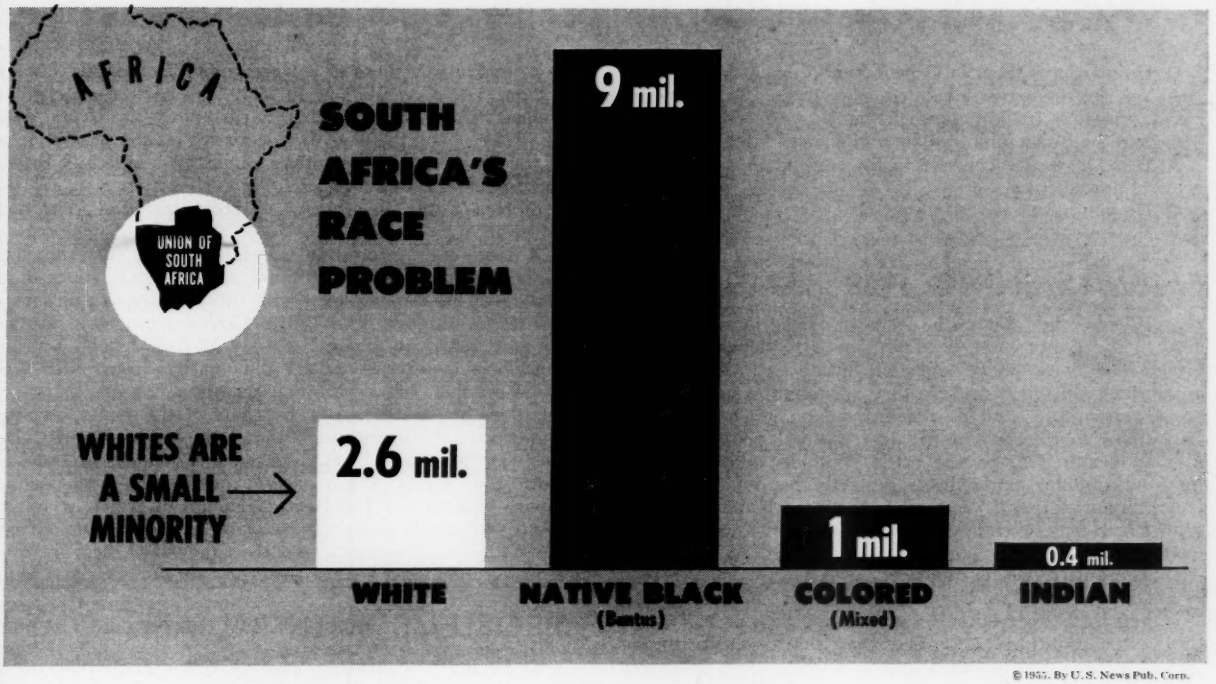
Q Would that be true of Cape Town?

A Cape Town has a much larger white population. Cape Town is not situated near a Bantu reserve. The Transkei Reserve is about 800 miles distant from Cape Town.

There is, however, a large and growing Bantu population in Cape Town—probably in the neighborhood of 60,000 or even more. Our policy is to send back to the reserves, those natives who have not become de-tribalized. The Government's policy is to maintain native traditions, and to encourage the Bantu to live according to their own customs and traditions.

Q Do you prefer that they remain with their native tribes?

A Yes.



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Q What is the present situation in Johannesburg?

A There are large Bantu populations. The natives came in from their reserves during the second World War. As happened in the case of the European population, the city authorities couldn't keep up with providing sufficient housing. It was the same in England. In London today one sees the conditions under which people are living there even after all these years since the war ended.

The same thing happened in regard to housing for natives at Johannesburg. There are slum areas as there are in London, New York, and elsewhere. Then photographs are published in your papers to show how the poor natives live! But if you go to the East End of London, to Paris, or even to parts of New York and see how people live there—but when, in Johannesburg, natives are living as they do in other cities of the world, then there are articles in British and American papers!

During the war years natives moved in amongst the white people and established slum areas. The Government then decided to take the necessary steps to provide decent housing for them and also to remove them from the European areas. The newspapers here and in England wrote that the poor natives were being "ejected" from their homes.

Q Were they being taken away forcibly?

A No. The use of the word "eject" suggests a man sitting with his goods and chattels in the street after his landlord kicked him out. It was nothing of the sort. About 8 or 9 miles away, a new native settlement was built, separate houses for each family. Each house has its bit of ground. They are good new houses, with from one to four bedrooms and rented at from 2 pounds [$14] to 4 pounds [$28] per month.

Q It is being built by the Government?

A Yes. The natives were told on a certain day they would be removed. But the African National Congress, together with a section of the European press, and an Anglican priest, started an agitation which would encourage some of the natives to refuse to move, and the Government then decided to move them a day earlier so as to avoid any trouble. In order to facilitate the moving of so many families, Army trucks were used as they were used during the recent railway strike in England. Newspapermen and photographers had been preparing for riots, but nothing happened. The moving went off smoothly because the natives were eager to get away from their slum dwellings. The press photographers were disappointed!

The trouble now is that those natives who have not yet been moved are now insisting that they be moved at once! These natives were taken out of slum areas and taken to a new housing project. That was all! The Government will build special railway lines to serve these new housing schemes. There will be several other similar housing projects.

Q Is the idea to get the natives out of mixed communities?

A Yes.

Q Can they own property in the new areas?

A No.

Q Do they rent?

A They pay a very small rent—about $14 per month to $24—according to the size of the house.

Q Do any of them own property at present in Johannesburg?

A Those who own property in white areas are being expropriated and fully compensated.

Q Do you have natives in your military organization?

A No. But we have a strong native police force which is used mainly in the native reserves and in the native residential areas in the cities. They make excellent police, and very reliable.

(Continued on next page)

. . . "Cape coloreds consider themselves superior to natives"

Q Do you have them in Cape Town?

A Yes, in the parts inhabited by natives, Cape colored men are used as traffic policemen, but no natives.

Q Are the police officered by white men?

A Yes. The native can rise to the rank of, I think, a sergeant. I am not sure.

Q Do you have natives in your civil service now?

A No, not in white areas.

FARM TRAINING FOR BANTU—

Q Where would natives be let in to official jobs?

A In the Bantu reserves. The plan is to develop the reserves. They were badly neglected during past years. There are agricultural schools where they are taught modern methods of agriculture. But it's a heartbreaking job to teach the Bantu how to till the soil. He is a pastoral people and his idea of wealth is to possess cattle. With his plot of maize, for food, and his cattle, he is perfectly happy. The Bantu is not an agriculturist. We have tried to teach the natives to grow sugar cane—and they could do well on it—but they just won't take to it!

Q There isn't enough land?

A Oh yes. There are large native areas in Zululand, Natal. It is their land, reserved only for their occupation. It is beautiful fertile country. On the European side of the boundary there are large sugar plantations, and on the native side there is nothing!

Q There isn't enough land in the reserves for them to grow cattle and make a living off them, is there?

A Oh yes. The Bantu reserves cover a large area in the eastern province of the Cape and in Natal. There are native areas set apart for their sole occupation also in other parts of South Africa. We want them to develop their areas, to become agriculturists and to contribute to their own feeding and to make those areas self-supporting economic units.

Q Does the fact that you have four racial groups to deal with tend to complicate your interracial relationships a great deal?

A Yes, it does produce problems. Broadly speaking there are two racial groups—the European and the non-European, respectively. As regards the policy of maintaining the control of the white man in South Africa and the policy of separate development for the non-Europeans, I can say that the great majority of the European population supports that policy.

As regards the nonwhite population, we find that the Cape coloreds are very much worried about the influx of the natives. The natives are moving in from the reserves and taking their work. The Cape coloreds live at a higher standard than the native, who is able to work for a lower wage. The Cape coloreds are also worried about the extent to which miscegenation between natives and coloreds is taking place. The Cape coloreds have a pride of race and they are worried about miscegenation with the Bantu. The Cape coloreds do not wish to mix with the natives. They consider themselves superior to the natives.

Q Do the nonwhites have buses of their own?

A Yes—in Pretoria there are non-European buses. In Cape Town they are mixed, but steps are being taken there to have separate buses.

Q Do you have much trouble between the natives and the Indian population?

A In Durban there is a large Indian population but also a large native population. In 1949, the natives attacked the Indians. The Government had to rush down troops and police by plane to stop the riots. If it were not for the prompt action of the Government, the natives would have killed off most of the Indians—it would have been a slaughter.

Q Hasn't the Government of India criticized your racial policies?

A Here is an interesting side light on the Government of India's pretended concern about race discrimination. Somebody sent me a newspaper from India—an Indian newspaper printed in English. The Indian Government have been encouraging African natives to study at their schools by offering special facilities. We don't allow natives from South Africa to go for this "brain washing" operation. There was a statement in this Indian paper, by some of the Bantu or Negro students in India, in which they complained bitterly about the way they have been discriminated against in India because they are of Negro origin! You thus have the extraordinary situation of the Bantu students in India, who went there with the idea that India was the protector of all noncolored [native] peoples, and then they find they are much more discriminated against than they are in South Africa!

PROBLEMS WITH INDIANS—

Q Would you mention briefly the central problem of the Indian population in South Africa?

A In 1927 there was a round-table conference when the position of South African citizens of Indian origin was discussed. The Indian Government were worried because the Indians did not have full equality with the Europeans.

Q Although they were by that time citizens of South Africa?

A Oh yes.

Our Government said: Well, if you really are worried about these Indians, and if there are Indians in South Africa who don't like our way of life, we are willing to help such Indians to go to India. We will give him a free passage to India, and a sum of money when he arrives there. Furthermore, he can return to South Africa within a certain time if he doesn't like life in India. Some went, but the number was surprisingly low. Comparatively few took advantage of the offer.

Q Did many of them come back?

A Some of them came back, and others who stayed there wrote to their people in South Africa: "Stay where you are—don't come to India—you're better off in South Africa."

A few years ago, the Government, in order further to encourage them to go to India, raised the subsidy and only a few of them took advantage of the higher subsidy. It is clear that they are quite happy in South Africa, and prefer to stay there, where they are well off. Many are wealthy.

There are Indian shacks in the country areas, but they are no worse off than those of laborers and peasants here and in other countries. It is interesting to note that the ground upon which the shacks are built is owned by rich Indians!

Q Do some of them have business interests?

A Yes, there are big Indian businessmen in Durban. There are towns outside Durban where the retail business is almost entirely in Indian hands. They control the fruit and vegetable market of Durban.

. . . "We are anxious to have Western European immigration"

Q Growing or merchandising?

A Particularly merchandising. The Indian is more of a merchant, although he also owns small farms. A large portion of Durban property is today Indian-owned—big shops and business, large apartment houses are owned by Indians.

Q How long have they been there?

A Since about the 1870s. They came there as coolie laborers in the sugar fields.

Q Are more Indians coming?

A No.

Q Do you admit any?

A None at all.

Q You admit only white people—but natives come in—

A Yes. Natives have been flocking in from the native territories and from the Rhodesias.

Q Do you have restrictions against whites coming from Europe?

A No more than the immigration regulations of all other countries.

Q Do you have a quota system?

A No. But you must have a visa and a permit for temporary or permanent residence. In view of the shortage of skilled labor, we are anxious to have a large measure of European immigration.

Q Can't you get them from England?

A Yes, and from other Western European countries. We don't want any from the Eastern European countries.

Q Are the newly arrived natives very efficient labor?

A The natives provide the unskilled labor, and also semi-skilled, to a smaller extent.

Q Do you have much native industrial labor?

A Yes. All the unskilled labor is done by them, and also semi-skilled work of a certain type. We find that the native is better than the European for repetitive work. The native can go on for days and weeks and months and years doing the same job.

Q Do they show much capability to advance to foremen? Any sort of supervisory work?

A They would not become foremen except in their own areas, and in their own businesses. Part of the Government program is to establish industries near the native areas to give them scope for developing along those lines, and where they can later be skilled workers. But for years they will have to be under white supervision.

HOW THE NATIVES VOTE—

Q Do non-Europeans have any political representation?

A Oh yes. In the Cape Province, the Cape coloreds have always had the franchise. Now they will be given separate representation in Parliament. In Cape Province Provincial Council, the non-European representative can be a native or a colored person. In the central Parliament the Bantu of the Cape Province is represented by three European members. They are directly elected by the natives. The Province is divided into three constituencies, or electoral districts, where the natives vote for their own representatives.

Q Are the three representatives members of the Assembly?

A Yes. They have the same rights and privileges as the other members of the Assembly. The natives in the northern provinces have never had the vote. In the Cape Province they did have it. The policy was changed in 1933, and in the Cape Province the Bantu were given three representatives, elected directly by them.

Prior to that they had voted on the communal electoral level with the Europeans. Once the election was over, the elected member did not give them much attention—not until the next election, when he went around and canvassed their votes again! Under the new system, the natives elected their own representatives to guard only their interests. The natives had never in the past been represented in Parliament as they are now being represented by their special members who are now answerable directly to the natives.

Q How are these white representatives of the Negroes nominated?

A The natives nominate them.

Q The white men don't live among them—how do they know whom to nominate?

A Oh yes, they know whom to nominate. They have their own organization.

REDS: BANNED FROM OFFICE—

Q They have political organizations—

A They have a free hand to nominate whom they wish, provided he's not a Communist.

Q How many votes are cast by the native population?

A Those entitled to vote must have certain qualifications. A large proportion of them vote, and they have the freedom to nominate whom they wish, provided he's not a "named" Communist under our law. If he is a "named" Communist he can't be a member of Parliament, or a member of the City Council, or a secretary of a trade-union.

Q The Communist Party is outlawed, then?

A Yes. The natives directly elect the persons who sit in Parliament to represent them. Earlier this year, an election took place for the Senator of the Transvaal natives. At the previous election, one of the candidates stood as an "apartheid" candidate and he got a few thousand votes. At the beginning of this year, an "apartheid" candidate again stood against the incumbent, who was an ultra, ultra liberal type, and he received about 800,000 votes. Whereas five years previously he only got a few thousand.

Q These are native votes—

A Native votes—showing that the native is beginning to realize that he has better prospects, a better future, under a system of separate representation and separate development ("apartheid"). In the Cape Province, Cape colored have always had the franchise on a communal basis with the white man. The position there is that in about 10 or 12 constituencies the Cape colored vote has grown so large that they could swing the constituency any way they liked. In fact, in those cases it is the colored vote that could determine the result of the election.

The present Government Party considers that this is a bad system. So, it was decided to do the same with the colored voters of Cape Province as we did with the native voters and to give them four representatives in Parliament who would be elected by them directly on a separate electoral list. All this stuff you read in your newspapers about the colored being "disenfranchised"—that's just not true. What is planned is that they will vote in a different way. That's all. Now they will vote for their own four representatives to represent them in Parliament. There is no question of disenfranchisement.

"Stretch"—built into Boeing design

The four airplanes in this picture are all versions of the Boeing B-47 Stratojet — current mainstay of the Strategic Air Command. While they look very much alike, there are major differences in the things they can do.

Look first at the plane in the right foreground. It's a B-47A, first production model of the speedy six-jet bomber, which flew in 1950. Its gross weight is 125,000 pounds, and its engines develop 5,000 pounds of thrust apiece.

Just behind it is a B-47B. It has grown in power and performance and contains more equipment, bringing its weight up to 185,000 pounds.

The B-47E Stratojet bomber stands at the left rear of the group. Representing still greater utility and performance, it weighs more than 200,000 pounds, and each of its jet engines is rated at more than 6,000 pounds of thrust.

In the left foreground, you see the RB-47E photo-reconnaissance Stratojet, equipped for night or day aerial photographic missions.

How is it possible for an airplane to "grow" so much in weight while gaining in versatility? Boeing engineers had that goal in mind *when they designed* the B-47.

This isn't the first time that built-in "stretch" has proved an advantage to America. The Boeing C-97, which began as a twin-deck military transport ten years ago, has grown in range and load capacity. Today it is the principal aerial refueling tanker of the Air Force, and a turbo-prop version—the YC-97J — is now being flight-tested.

In the same way the giant eight-jet B-52, with a current gross weight of over 350,000 pounds, has ample potential for future growth.

Aircraft built by Boeing are designed for the future as well as for the present. That fact has saved many millions of dollars for the country's taxpayers.

BOEING

News YOU Can Use ®

IN YOUR PERSONAL PLANNING

24th and N Streets, N.W.
Washington, D. C.

Signs are increasing that folks in a buying mood can start looking for real bargains in automobiles--both new and used.

LOTS OF AUTOS. People have been buying the new '55 models at an amazing pace--far above all previous sales records. Even so, factories have been turning cars out faster than dealers can sell. Stocks on dealers' hands are some 200,000 greater than at this time last year, and are still growing. This time last year they were being whittled down to make way for new models.

Next year's cars are slated to come out a bit earlier than did the '55 models. Industry talk is that they'll be hitting showrooms in September and early October. Thus, the pressure of cleaning up outgoing models in the next two to three months is added to the already fierce competition of the business.

DEALER DISCOUNTS. Industry observers say comparatively few '55 models sold since January 1 have brought full list price. Now a step-up in price cutting is a cinch. Auto makers are offering bonuses on dealer sales, and a number reportedly are handing out discounts on list prices or giving big accessory markdowns. That means more room for price concessions, which in the past have come mostly out of dealers' pockets.

SALES GIMMICKS. You're likely to see, too, a revival of some of the "throw in" deals of the past. In some places already there are offers of things like vacation trips or a share of General Motors stock with every new car purchase.

Not all car buyers trade sharply, though. Those who don't may fail to see that "throw ins" or liberal trade allowances often are offset by "packing" of list prices and accessory costs. Price concessions vary from dealer to dealer, depending on the pressure they're under. You'd do well, then, to shop around.

USED CARS. Booming sales of new cars have brought a heavy trade-in of older models. Price trend on them appears downward. Pressure is on to clear used-car lots as well as new-car showrooms, so bargain buys ahead are a good bet.

Credit usually is tighter on secondhand autos than on new models. But easy terms on both will be drummed to attract buyers. Interest payments over a long period, though, can make the real cost of a car come high.

SLOW READERS. It may be advisable to have children who are making slow progress in school tested to determine whether their thyroid glands are working

(over)

properly, a California physician suggests. He reported at a sectional meeting of the American Association for the Advancement of Science that, in a study of children with thyroid deficiencies, reading disability was a common complaint. Given thyroid extract, the children showed great improvement in understanding, remembering and reading, and behavior problems were overcome, he said.

OFFICE DESKS. These points about desks come from official standards for office furniture adopted by the American Standards Association:

Surfaces should reflect 35 per cent of the light striking them; dark surfaces absorb so much light that artificial illumination is unnecessarily costly.

Contrast between the desk and paper on it should be low; that way the paper does not stand out as a glare spot. Surfaces should not be too light, though.

THEFTS. A decision by the U.S. Tax Court points up an angle involved in claiming an income tax deduction when something valuable you own disappears. The requirement is that you must show the loss was due to theft, otherwise it becomes a "personal loss"--which isn't deductible. In the case ruled on by the Court, a diamond pin disappeared from a locked cabinet while the taxpayer was away on a trip. A maid--only other person with access to the key--left her job about the same time. No attempt was made to prove that the maid was involved in the pin's disappearance, but the Court held that the circumstantial evidence was enough to uphold a claim for a deduction as a loss from theft.

RAILROAD TRAVEL. A new rail-travel credit plan goes into effect August 1 on 43 of the nation's railroads. Good coast to coast, it permits you to charge meals and club-car refreshments as well as rail and Pullman fares. The new travel-credit cards can be issued to both companies and individuals, with no initial deposit or cash balance required.

DRAFT. The fact that the old draft law expired June 30 and another was passed to take its place doesn't mean deferments received under the old law are no longer valid. That's a point that seems to be bothering a lot of readers. Previously-granted deferments and exemptions did not terminate with expiration of the old law. Thus, students and essential workers remain deferred as before. So do fathers whose fatherhood was established before Aug. 25, 1953.

MULCHING. Check up on the mulch around your shrubs and plants, now that hot summer days are here. As a rule, mulching is a good practice, soil experts of the U.S. Plant Industry Station at Beltsville, Md., report. But too heavy a mulch can be harmful to some plants--it encourages their roots to grow close to the surface where they become more vulnerable to damage in a hot, dry spell. About an inch of mulch is all that is needed, the experts say.

Oddly, they add, spreading on a layer of mulch increases the organic matter of the soil almost as fast as actually mixing the material into the soil.

POSTAL DATA. Need to know whether a package you're sending can go by parcel post? Bothered about mailing rates or special charges? You'll find the answers to these questions--and many others--in a new pamphlet put out by the Post Office Department. It's titled "Domestic Postage Rates, Special Services, and Postal Information." You can get a copy for the asking from your postmaster.

IBM leadership in action . . .

© IBM

Panel of decision makers

Today, IBM electronic panels like this are paving the way for a whole new family of lightning-fast computers and data processing machines—"decision-makers," adaptable to large or small business, that can be mass-produced with typical IBM precision.

These tiny, power-packed transistors mounted on printed wiring panels replace bulky vacuum tube assemblies. By greatly reducing heat output and by effecting dramatic savings in space and power requirements, their use in IBM electronic data processing machines results in vastly simplified installation.

Through the use of developments such as this, IBM is bringing the revolutionary, yet practical, benefits of electronics to more businesses than ever . . . helping America work better and faster—at less cost.

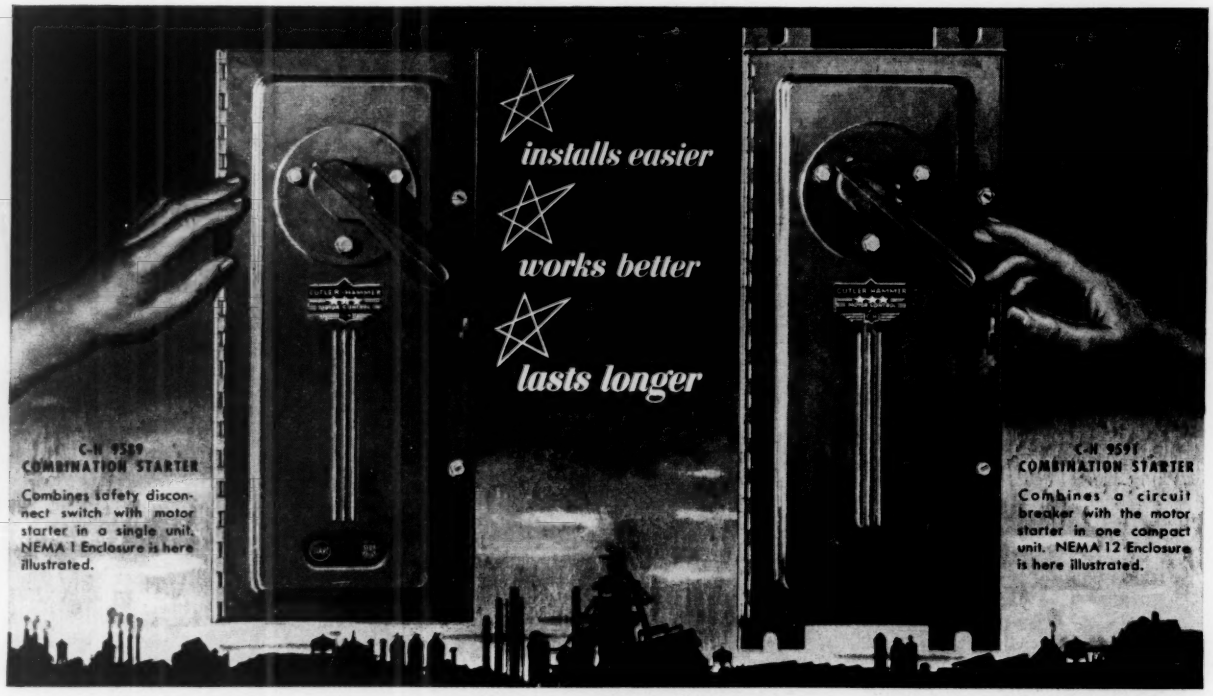
International Business Machines Corporation
New York 22, N. Y.

IBM DATA PROCESSING

World's largest producer of data processing machines

WHAT'S NEW IN MOTOR CONTROL? ★ ★ ★ GET IT FIRST IN CUTLER-HAMMER

New Combination Starters in the Spectacular Line of Cutler-Hammer ★★★ Motor Control


installs easier
works better
lasts longer
C-H 9589
COMBINATION STARTER
Combines safety disconnect switch with motor starter in a single unit. NEMA 1 Enclosure is here illustrated.
C-H 9591
COMBINATION STARTER
Combines a circuit breaker with the motor starter in one compact unit. NEMA 12 Enclosure is here illustrated.

Users have had many dramatic proofs of the advantages built into Cutler-Hammer ★ ★ ★ Motor Control. They *know* the three silver stars on the Cutler-Hammer nameplate identify control equipment that sets three entirely new standards of motor control performance and value.

Star #1: Amazing savings in installation costs which often exceed the cost of the control. Star #2: Performance so uniform and dependable that *this* control often saves many times its cost by the production interruptions it avoids. Star #3: Life so greatly increased that this control *never* requires maintenance expense in 90% of its uses.

Now combination starters are available in this spectacular new line of Cutler-Hammer ★ ★ ★ Motor Control. Your nearby Cutler-Hammer Authorized Distributor has been stocked and is ready to serve you. Bulletin 9589 Starters incorporate a rugged disconnect switch of advanced design with or without fuses. Bulletin 9591 Starters are equipped with circuit breakers. Order *now* for prompt delivery.

CUTLER-HAMMER, Inc., 1462 St. Paul Avenue, Milwaukee 1, Wisconsin.

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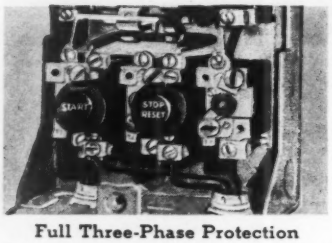
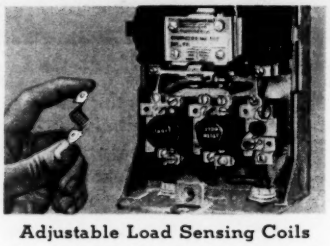
MOTOR CONTROL
C-H



Full Three-Phase Protection

Only *three* overload relays can give complete three-phase protection to avoid motor burn-outs and their costly interruptions to production. And *only* Cutler-Hammer offers this complete three-phase protection in standard combination starters. You pay only for the third relay, nothing extra for special engineering or special enclosures.



Adjustable Load Sensing Coils

The accurate adjustment of overload protection permits motors to work harder without damage to motor windings. This is more important than ever with the newer type small frame motors. Adjustable load sensing coils in these new starters provide 3% loading accuracy instead of the 10% to 12% accuracy in competitive control.

Superlife Vertical Contacts

Experienced control users insist on dust-safe vertical contacts. And now the famous Cutler-Hammer vertical contacts have been doubly improved. First, their new lightweight design cuts bounce to reduce arcing. Second, any arcing that might occur is now pressure-quenched. Compare performance and see the difference.

When Prices Run Wild

Inflation Brings Strikes and Turmoil to Chile

Prices have shot through the roof in Chile, and are still going up. Strikes keep shutting down essential industries.

Wild inflation, right in the Western Hemisphere, is a little like what happened in Germany between the two World Wars. Things are so bad that the Government may be overturned.

Here's an eye-witness account of what's going on.

SANTIAGO

In Chile you can get a dramatic close-up of a nation being devoured by a runaway inflation.

The cost of living has multiplied about 60 times since 1928. One union with an escalator clause in its contract has received pay boosts totaling nearly 35 per cent since the first of 1955. Prices and wages are in a dizzy spiral that has been gaining speed since Gen. Carlos Ibáñez del Campo became President in 1952.

It is this unchecked inflation that lies behind the rash of strikes and service interruptions plaguing this country. Only a few days ago, the Government's railway, bus and streetcar lines started running again after a nine-day strike. The workers returned to their jobs only after they were promised a 60 per cent increase in pay, plus other benefits.

Chileans don't know from one day to the next which services are to be suspended because of strikes. Nor do they know today what they will have to pay tomorrow for food and other necessities.

Revolt in offing? People here will tell you that they don't see how things can keep on like this. Some of them are hinting that, if the present Government doesn't get the situation in hand, some changes will be made forcibly at the top. Already, the Government has uncovered one plot by Army officers who wanted to take over the country and try to straighten things out.

Looking at shop windows, you get an idea of what inflation is doing to prices. Many items carry price tags that run to four or five figures. A pair of shoes of medium quality costs around 5,000 pesos. Eggs are about 15 pesos each. Butter costs nearly 300 pesos per pound.

Converted into dollars at the free-market rate of more than 550 pesos to $1, these prices don't seem very high to a stranger. But if you convert them at the 200-pesos rate, which governs most imports, you more than double the prices in dollars.

Any way you figure them, the prices look out of sight to a worker who may be making as little as 200 pesos a day. Even the better-paid Chileans say things cost far too much. Here in Santiago, the country's capital and largest city, the cost of living has gone up about 70 per cent in the last year and is still climbing.

Theoretically, there are controls on basic foods and some other staple items. When the official ceiling on an item is too low, however, the supply either dries up or goes into the black market. A few months ago the ceiling price on milk was too low. Dairymen began to sell their cows for beef. The Government finally had to raise the ceiling price to keep milk from disappearing entirely.

A vicious circle. Wages keep following prices up. Government workers get big bonuses from time to time to take up the slack in living costs. Many unions have escalator clauses in their contracts. Hundreds of thousands of workers, however, do not have this protection, and when they can't get pay increases by negotiations they strike.

As wages rise, prices shoot up further. That includes controlled prices. What you see in this country is really a race between prices and wages, with prices usually in the lead. People who are trying to live on small pensions, insurance, or savings, find themselves caught in a hopeless squeeze.

BUYING SHOES
. . . at 5,000 pesos per pair

The peso, which 10 years ago was worth 4 U. S. cents, today is quoted at less than one twentieth of a U. S. cent in the free market. Copper coins of less than a peso, once used like U. S. small change, have dropped from circulation because they are virtually worthless. The only hard money you see now is a light aluminum peso that, singly, will buy nothing. Nearly all shopping is done nowadays with bills of large denominations.

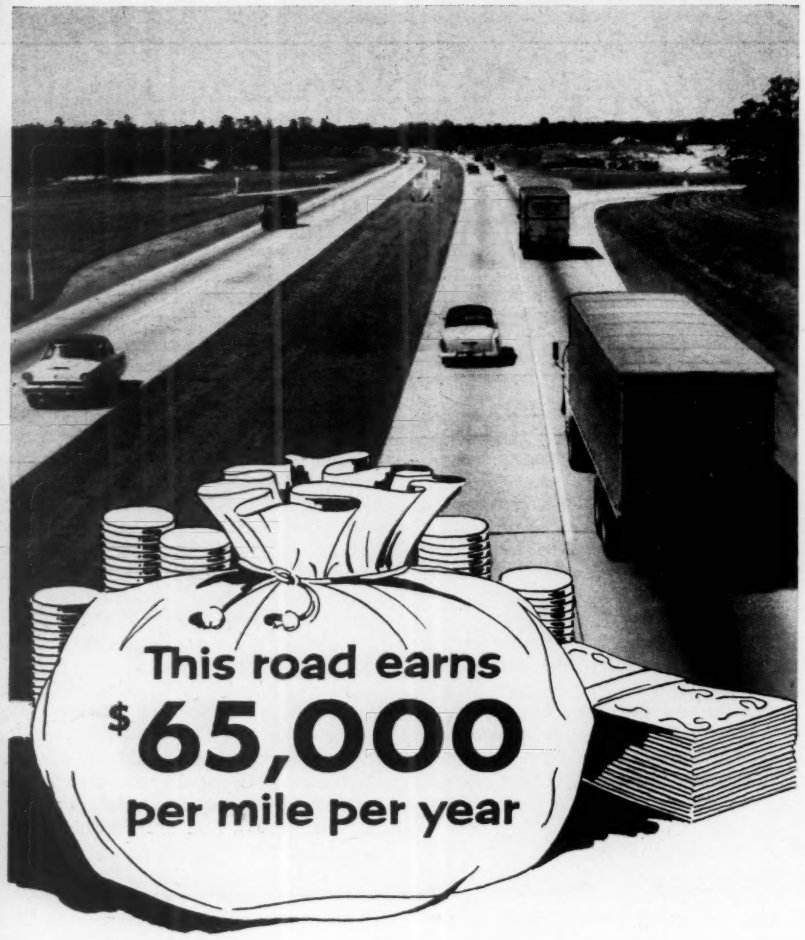
Investments are slow. Savings banks have had to raise their interest rates from 4½ to 6 per cent to hold deposits. Interest on commercial loans runs as high as 20 per cent. People with money usually put it into real estate or other tangible property, or convert their pesos into dollars for deposit in U. S. banks.

All this is taking place in a country that is the world's biggest exporter of copper and is selling its copper at high prices. As some people see it, Chile could be sitting on top of the world now, instead of being crushed by inflation. But inflation got started years ago, and one Government after another has failed to check it.

Belt tightening needed. A big cause of the inflation is the fact that the Government keeps running in the red. This year it is spending at least 125 billion pesos, while its income is only about 90 billion. Thus, there will be a whopping addition to the deficit of 28 billion pesos that has already been built up.

The Government deficit generally is financed by borrowing from the Central Bank and issuing paper money. With a bigger money supply, prices rise. Then wages rise. Then prices go up some more.

People here see a ray of hope in the arrival of U. S. experts, hired by the Government to work out a plan for getting things under control. It's admitted that any effective plan will call for a lot of belt tightening, especially by the Government. Thus, there is a question whether Chile's President and Congress will accept it. But, unless something drastic is done soon, Chileans feel their country is headed for even worse trouble.



A road earning money? Absolutely—in the form of gas taxes and license fees you pay to drive on it. The more vehicle miles of traffic a road handles the more money it earns.

This concrete road is Shirley Memorial Highway, Va. The section shown carries a daily average of 24,000 vehicles.

The number of vehicles traveling this road per day	24,000
Times the average vehicle tax per mile in Va.	$.00745
Equals this road's earnings per day per mile	$178.80
Times the number of days in a year	365
Equals the annual earnings of this road per mile	$65,262
Minus the annual cost to build and maintain such a road during its expected lifetime	$10,000
Equals the annual net profit this road earns per mile	$55,262

Concrete roads are the biggest money-makers because they attract the most traffic and have the longest life and lowest annual cost. Other pavements often fail to earn their building and maintenance cost. This drain on available funds leaves less and less for new highway construction.

To motorists, who pay for highways, this is an important reason why all main roads should be paved with concrete.

PORTLAND CEMENT ASSOCIATION, 33 W. Grand Ave., Chicago 10, Ill.
A national organization to improve and extend the uses of portland cement and concrete through scientific research and engineering field work

We've Been Asked:

ABOUT NEW-STYLE ANNUITIES

- **It may be possible soon to buy a new type of annuity designed to protect your retirement income against inflation.**
- **Such a plan is being considered by insurance companies.**

What is this "variable annuity" that the insurance people are talking about?

It is an annuity that would be tied to prices of common stocks. The individual, singly or in a group, would pay so much a month to an insurance company. The company would put the money into a special fund, invested largely in common stocks. Value of the annuity, when the individual retired, would depend on what happened to the stocks. If stock prices went up, his annuity would grow; if they went down, it would shrink.

How does this differ from the usual plan?

Ordinarily, the individual is guaranteed a definite monthly benefit when he pays for his annuity. To be safe, the insurance company puts most of the money into secure, interest-bearing investments. Under the new plan, the value of the annuity would not be fixed before retirement.

Would the monthly benefits also vary after the person retires?

They might. At retirement, the insured could elect to receive a fixed amount from then on, or to have the amount varied, in the future, according to the value of stocks in the fund.

Couldn't a person lose money if stock prices fell?

Yes, there is no protection against this.

Then what would be the advantage of this plan?

The idea is that the individual wants to assure himself of a certain standard of living when he retires. Just arranging, years in advance, to receive a monthly income, as in a regular annuity, may not achieve this; because of inflation, the retirement income may turn out to be too small for comfortable living. Advocates of the new plan point out that inflation has been recurrent.

How much would the plan cost?

An individual could invest much or little, depending on his own circum-

stances, though the plan is intended chiefly for groups and for individuals of substantial income. Final cost to the investor cannot be figured without knowing what will happen to stock prices and how much the company will charge for managing the fund.

Has the idea been tried out?

Some private plans have been operating, but have not been offered to the general public. One of these, authorized by the State of New York in 1952, is being used by about 20,000 college professors. The bull market in stocks has greatly stimulated the investments in this fund, of course.

How could an investor be protected against a collapse of stock prices?

Insurance men say they would not advise putting all of a person's insurance money into a variable annuity. They think a man should have regular life insurance to protect his family. Then, if he can afford a retirement plan, they might advise him to put half the money for it into a fixed annuity and the other half into the variable type. Thus, the variable annuity would be something extra, a "shock absorber" in case of inflation.

Would you be able to get your money out of such a plan before retiring?

Company officials say that, to prevent quick speculation, they will stipulate a three-year waiting period. Thereafter, there will be provision for refunds, based on the current value of an individual's investment, allowing for the company's costs. This current value will be computed and published monthly.

Is this idea favored by the whole life insurance industry?

Some life insurance companies have been critical of the plan; others in the industry have indicated interest but believe it needs extensive study before being opened to the public. One large company has revealed that it is laying plans to offer the new annuity, if the State of New Jersey approves.

Is the plan legal now?

Apparently it is not permitted for the general public anywhere, insurance men say. A change in law is being considered actively in New Jersey, however. State officials have approved the legislation, hearings have been held in the Legislature and a vote is possible later this year.

How long before this proposal can be offered to the public?

If New Jersey lawmakers approve, one company says it will be ready to announce details and make sales "within a couple of months."

MAIL COUPON FOR NEWEST DATA ON DOORS FOR EVERY MAJOR ENTRANCE NEED

INTERNATIONAL STEEL COMPANY
2061 Edgar Street, Evansville 7, Indiana

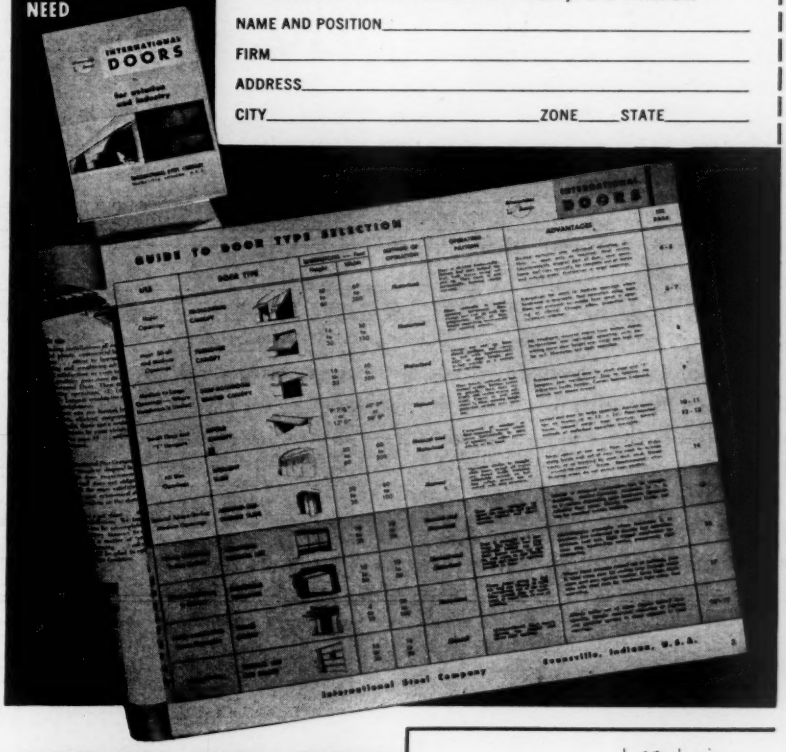
Send me without obligation my personal copy of the new 1955 International Doors for Industry and Aviation.

NAME AND POSITION_____

FIRM_____

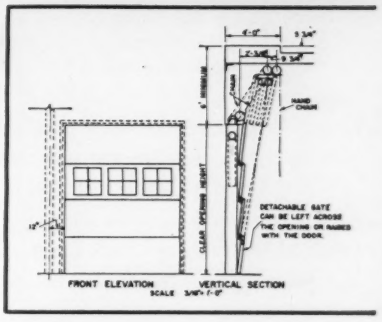
ADDRESS_____

CITY_____ ZONE____ STATE_____



HOW TO GET *Most Door Per Dollar*

The matter of economy combined with efficiency is the major problem of American Industry, faced with the problem of designing new entrances — both for the multitude of industrial structures now being planned or those actually under construction. To simplify selecting the type of door that specifically meets any condition, the new International Steel Door Manual offers the new, exclusive "Door Selector." Architects, engineers, and contractors will find this an excellent reference source in determining door type requirements. Use the coupon above to request your copy, today.



Above drawing details a typical International Multi-Section Vertical Lift Pier Door — such as installed at New York's recently completed Pier 57. Door leaves stack directly above and behind opening, permitting use of storage space right up to the entrance and above door level. Leaves are "nested" when door is opened — do not obstruct interior lighting or sprinkler system. One of the many International-Engineered Doors for every need. See Sweet's Architectural and Industrial Construction Files.

INTERNATIONAL SERVICE

2061 EDGAR STREET
EVANSVILLE 7, INDIANA

INTERNATIONAL STEEL COMPANY

Special Report

(This article represents the result of an extensive research on a problem of outstanding importance.)

WHY TRANSIT LINES ARE IN TROUBLE

Difficulties of transit companies are nation-wide. In city after city, riders are taking to private automobiles in preference to streetcars, subways, buses.

Higher fares, following wage increases and other advances in cost, speed the decline in public transportation.

Results include more traffic headaches, less service for people who have to use transit lines.

In the midst of general prosperity, a key industry is having its own depression.

That is the plight of the local-transit industry. Companies that operate streetcars, buses and subways have been in a financial squeeze for nearly 10 years. Now, a wave of strikes and threatened strikes on transit systems in large cities indicates that the squeeze is getting tighter.

In New York City, the transit workers' union has just asked for a wage rise that, if granted in full, would add 16 million dollars a year to the annual payroll of that city's rapid-transit lines.

Lengthy transit strikes have disrupted business in Washington, D. C., Little Rock, Ark., Scranton, Pa., and Los Angeles. Six other cities have had transit strikes so far this year.

Basic problem. In transit officials' own words, their companies are caught in a "vicious circle" of rising costs, rising charges to customers and declining business. They blame most of their current troubles on the fact that transit-industry wages keep climbing—along with the climb in wages in other industries—at a time when transit business is getting smaller, instead of expanding in step with the rest of the economy.

One transit official puts it this way: "We're tied by the unions to wage patterns set by steel and autos. But those industries are prosperous, with expanding business. They can afford higher labor costs. Our situation is exactly opposite. Our business has been declining and every wage increase, which has to be

THE SQUEEZE ON TRANSIT COMPANIES

(all operating systems in U.S.)

	1946	1954	
COSTS ARE UP			
Labor costs	$713 million	$890 million	UP 25%
Other operating expenses	$416 million	$449 million	UP 8%
FARES ARE UP			
Average fare, per paying passenger . .	7.3 cents	15 cents	UP 105%
BUT—			
BUSINESS IS OFF			
Number of paying transit passengers . .	19.1 billion	9.8 billion	DOWN 50%
Number of transit rides per person in cities	231	107	DOWN 54%
INCOME IS OFF			
Operating income . .	$139 million	$41 million	DOWN 70%

SO:

Every new increase in wages and other costs tightens the squeeze on transit systems.

Basic data: American Transit Association —USN&WR Photo

© 1955, By U. S. News Pub. Corp.

passed on to the customers, makes it decline some more.

"A wage increase hits us harder, too. Labor is 60 per cent of our costs, far more important than in general industry."

What this official means is illustrated by the chart on page 72. It gives a picture of how the financial .squeeze has been applied to the transit industry as a whole over the last nine years.

Costs are up. Since 1946, transit-system costs have risen steadily.

Wages and salaries totaled 713 million dollars in 1946, an average of $2,732 for the 261,000 employes that year. Eight years later, in 1954, there were fewer employes—about 220,000—but the payroll was 25 per cent higher—890 million dollars. Average earnings of an employe were about $4,000, or nearly 50 per cent higher than in 1946.

Other costs have increased. Maintenance costs, administrative expenses, other bills that have to be paid regardless of business volume, have climbed to new highs despite economies and despite savings made by reducing routes and trimming services in many places. Result is that, in 1954, operating costs other than wages were 449 million dollars, up 8 per cent over 1946.

Higher costs have led to higher fares. Average fare per paying passenger now is 15 cents, slightly more than double the 1946 rate. In most large cities, 20 cents is the standard transit fare now. It was 10 cents in 1946.

One of the transit companies' problems is that many public-utility commissions, which regulate rates, grant extra-low fares to certain groups, such as school children. Also, fares usually are approved after cost increases, resulting from wage hikes and other causes, are incurred. Time lag between a wage boost and fare increase sometimes costs the transit line millions of dollars.

Half as many riders. The rise in fares is blamed for speeding the big decline in transit business. As the chart shows, local-transit companies had 9.8 billion paying riders in 1954, only about half as many as in 1946.

Transit officials figure they were bound to lose much of the 1946 volume. That year, new automobiles were still scarce. People had to ride streetcars and buses. It was obvious that transit business would decline when more cars became available.

No one foresaw the extent of the shift, however. What happened was that high incomes in the postwar boom led millions of people to desert transit vehicles in favor of private cars, despite the higher cost involved in most instances. The growth of new suburbs, often far removed from established transit lines, also fostered the trend away from public transportation.

At the same time, the transit industry's

(Continued on page 74)

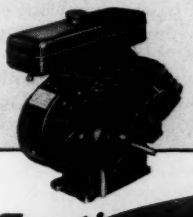
Continental Red Seal®

Rex 3½ yd. Adjusta-Wate Moto-Mixer, pouring pavement in Milwaukee. Power, Continental Red Seal F140.

means Dependable Power

In addition to its large engines, Continental builds an outstanding line of heavy-duty air-cooled four-cycle models for industrial applications requiring 2 to 3 h.p. (AU series illustrated). Advanced engineering gives them easy starting, high dependability, and unusual lugging capacity at low speeds . . .

Options: patented and exclusive Contex® external ignition system, low-level ignition cut-off, 6-1 reduction gear, and other features. Available also for use on kerosene . . . For information on these models, address Air-Cooled Industrial Engine Division, 12800 Kercheval Ave., Detroit 15, Mich.



All through the construction industry, you find Continental Red Seal engines accomplishing two important things. One is furnishing power to do the world's work; the other, building prestige for specific makes of equipment. The Red Seal line includes models engineered to a wide range of building applications, and meeting those needs completely . . . turning more and more users of mixers, pumps, compressors and other specialized machinery to makes which feature this extra-dependable power.

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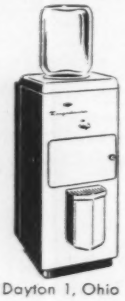

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Special Report

. . . Streetcar, bus riders switching to private autos

cycle of higher costs and higher fares began to operate. With the higher fares, more millions of commuters turned to private cars for daily transportation. And, as the cars increased, traffic congestion grew, making it increasingly difficult and often impossible for transit firms to offer the faster service into downtown areas that might woo back customers. The "vicious circle" was well started by 1948, and nobody has found a way out of it yet.

Snarls in cities. The transit "crisis," as industry leaders describe it, is nationwide.

New York City has the largest transit system and some of the worst headaches. What is happening there is happening nearly everywhere else, on a smaller scale.

New York's rapid-transit lines are owned by the city. By 1953, operating losses over the years were reported to have passed the 100-million-dollar mark. A special transit authority was then set up with the expressed goal of raising fares high enough to eliminate operating deficits.

Fares rose to 15 cents, three times the 1946 level. At every increase, patronage declined. Another 3 per cent decline is expected in the fiscal year that started July 1, which means an 8-million-dollar drop in revenues.

Even if only a small part of the latest wage demand is met, a deficit will be inevitable unless offset by another fare rise.

Private-auto traffic into the city, meanwhile, keeps increasing by leaps and bounds. Three to four times as many cars enter New York City now, per year, as in 1946. Traffic congestion is mounting.

Similarly, Chicago's transit authority is faced with a demand for higher wages for its workers, while revenues are dropping steadily below last year's level.

Cleveland has trimmed bus services to keep its city-owned transit lines technically "in the black," despite losses on some segments, in recent months. A proposed new subway is counted on to bring life back into this city's mass-transit system, but its completion is years away.

Detroit's transport system, also owned by the city, expects to show a profit for the last 12 months. The system was losing money until a fare increase was instituted in 1952.

A few cities are having more success than others in keeping their transit systems profitable and busy. But, even where the operation is not in immediate trouble, the long-term trend in business is down, leading to gloomy predictions

(Continued on page 75)

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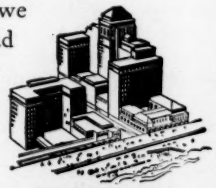

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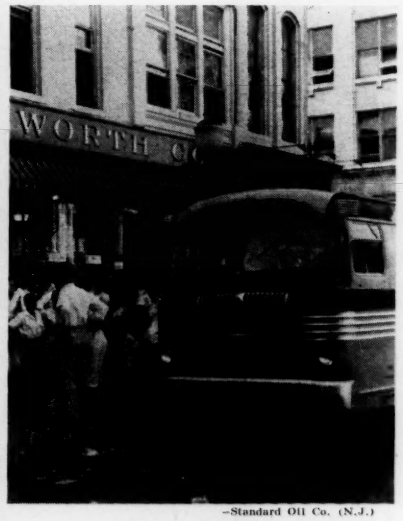
. . . Transit-line returns— 2.3 per cent of revenues

about the future ability of the transit system to support itself.

A missing formula. Approximately 1,400 private owned companies and about 40 publicly owned systems make up the transit industry. They operate 55,000 buses; 24,000 streetcars and railway coaches. Their investment is valued at about 4 billion dollars.

Return on that investment was down to 41 million dollars last year. That was an average of 2.3 per cent of net revenues, less than half of the 6 per cent return that many public-utility commissions consider a minimum "fair" return. The 1954 return was one third the rate of return achieved by transit companies in 1946.



—Standard Oil Co. (N.J.)

THE CITY BUS
. . . in a "vicious circle"

Despite all its setbacks, the transit industry still carries more than 30 million people to the downtown areas of the nation every weekday. In most large cities, one third to one half of all shoppers and wage earners travel downtown by public transit.

Many businessmen and city planners regard an efficient rapid-transit system as the only answer to traffic congestion and the decline in trade and city property values that this congestion is causing.

The trouble is, nobody has found a formula to put the transit lines back into effective competition with private automobiles. The trend now is toward smaller transit systems, serving only the most heavily traveled routes. That leaves many people stranded. The transit problem seems sure to grow in years ahead.

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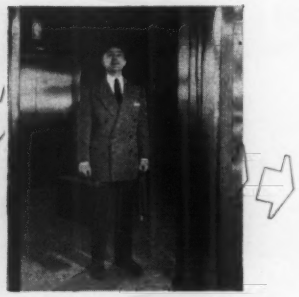

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Otis AUTOTRONIC® elevators handle the 5 o'clock ***let's-go-home*** rush with an electronically versatile Down-Peak program—which pays especial attention to the once "forgotten man."

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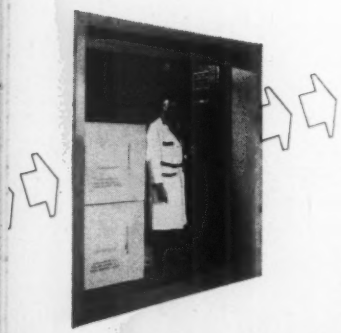

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Merger trend is to get a lot of official attention in months ahead.

In Congress are bills to empower Federal Trade Commission to hold up mergers before they happen, to make banks get prior approval of merger plans.

In Justice Department you are seeing a lot of antitrust activity.

FTC, too, is stepping into the merger picture--in the paper and publishing industries, scrap metals and flour milling. Latest moves are aimed at Union Bag & Paper Corporation and Hankins Container Company, and the recent purchase of "Better Farming" by "Farm Journal," merging two large farm magazines.

Proposed steel merger between Bethlehem Steel Corporation and Youngstown Sheet and Tube is to be opposed vigorously by Government.

Attorney General Herbert Brownell, Jr., says: "... Stopping steel mergers now seems the only chance to avoid the troublesome problem--some years from now --which automobile concentration today poses."

Recent auto mergers, sanctioned by Government, were approved in order to enable small firms to compete more evenly with the Big Three of the industry.

Mr. Brownell's point is that there is no reason for permitting other industries to follow the automobile pattern.

It's a question, though, whether Government can halt the merger trend, except in a few instances. Each case probably will have to stand on its own merits. Long-drawn-out court cases are probably in prospect, also.

Present urge to merge seems to come more from a desire to strengthen a competitive position than to dominate or control a market.

Monopoly, as such, is seldom in the current picture.

New lines of products also are sought in many mergers. Chicago Federal Reserve Bank cites as examples: Pullman, Inc., which controls a truck-trailer producer and a building firm, as well as railroad-car plants; Commercial Credit, which has a meat-packing firm and a pipe-fittings producer, and Elgin National Watch Company, which now makes automobile parts.

Giant companies do not result from recent mergers in manufacturing. That also is noted in the Chicago bank's study. Biggest firm to come out of the recent mergers is Olin-Mathieson Chemical Corporation, and it still ranks fifth in the chemical industry.

Nevertheless, you can count on both Congress and executive agencies to keep a critical eye on mergers. Small companies, in fact, are complaining more loudly about mergers. Many "smalls" feel that the boom is passing them by.

Boom, meanwhile, made a rampaging entrance into the summer months.

Output of factories and mines hit a new high in June, at 139 per cent of

(over)

the 1947-49 average. That marks a one-point gain over May on the Federal Reserve Board's index, after adjusting for the season.

The production gain was scored despite lower output of autos and steel.

Outlook is for further gains. Auto companies and steel mills are doing better than usual for July. Other industries are going strong.

Here's a quick roundup of the records of various industries.....

New highs for paper, chemicals, petroleum refining, rubber products.

Close to peak for textiles, apparel, shoes.

Record volume for producers of building materials.

Output gains in June for household goods, industrial equipment.

Increases in coal mining, stabilized petroleum production.

Federal Reserve figures paint a picture of high and rising activity that extends through the length and breadth of American industry.

Employment, too, has at last caught up with the boom in output.

More people were employed in June than ever before in history.

Total employment for the month was put at slightly above 64 million.

New jobs opened in June for 1.3 million workers. Job gains since winter come to 4 million. Factory work expanded more than usual for the season.

Unemployment, at 2.7 million, was 200,000 higher than in May, but the labor force was swelled by 400,000 young summer-job seekers. Official figures indicate that about half of them found work.

Prospects are that in the autumn months employment will go higher still.

Home building may be at a slower pace in coming months.

Contract awards for residential building have fallen 20 per cent since February, after allowing for usual seasonal fluctuations.

Appraisal requests to the Veterans' Bureau for new homes dipped 24 per cent in June from May, and were slightly below June, 1954.

Housing starts in June also were below the first-quarter rate.

But this does not mean that an end to the housing boom is signaled. Residential-building activity stays at an exceptionally high rate.

Census Bureau finds little evidence of overbuilding. A sample survey indicates that vacant housing for sale or rent amounts to only 2.2 per cent of all dwelling units. That's a very small rate. Most of the vacancies are found in homes being offered for rent.

Federal Housing Administration reports a higher vacancy percentage in the 517,000 apartment units financed with FHA-insured loans.

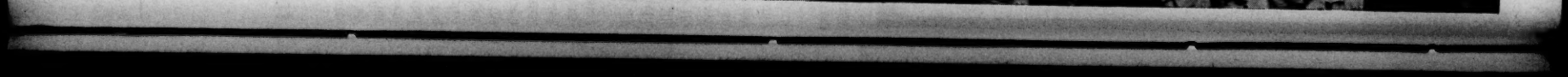
Nation wide, vacancies are reported at 4.4 per cent for March 31.

Vacancies are highest in the Far West and Southwest, lowest in Northeast.

Signs are that housing surpluses show up only in a few localities.

Treasury financing was well received. Subscriptions for 2 billions of 1 7/8 per cent tax-anticipation certificates added up to 10.6 billions. Bids on 750 millions in 3 per cent bonds topped 1.7 billions.

Certificate buyers will get only 19 per cent of what they wanted. Bonds will be allotted 65 per cent to "savings type" investors, 30 per cent to others.



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IKE'S POLICY: HANDS OFF STRIKES

Unions and Employers Told to Fight Their Own Battles

Labor squabbles no longer end up at the White House after negotiations break down. President Eisenhower sees to that.

It's all part of a plan. Steel and auto settlements came without Government help. Two big strikes were left to run their course. Appeals to Washington for help are being turned down.

President Eisenhower's policy of keeping labor disputes as far away from Washington as possible is facing its biggest test.

Employers and unions, once accustomed to taking their problems to the White House, are being left to fight their own battles with a minimum of Government intervention. Federal mediators usually do not intervene in a dispute until a strike has started.

Big strikes, unless they affect the national health and welfare, are permitted to run on even when they threaten to disrupt whole communities or States.

The South has seen this policy at work in two recent strikes affecting railroad and telephone communications in a number of States. In the North, there have been numerous other examples of the Eisenhower policy at work.

Enough major strikes have occurred so far this year to show how the policy is working out in actual practice, and enough disputes remain unsettled to give the policy a more thorough testing.

Hands off in South. Two strikes that had widespread effects in the South head the list of examples.

Railroad workers were on strike for two months against the Louisville & Nashville Railroad Company. The strike shut off all passenger service and most freight deliveries over the company's lines in 13 States. It ended when officials of the National Mediation Board convinced company and union representatives that a neutral outsider should decide the remaining issues.

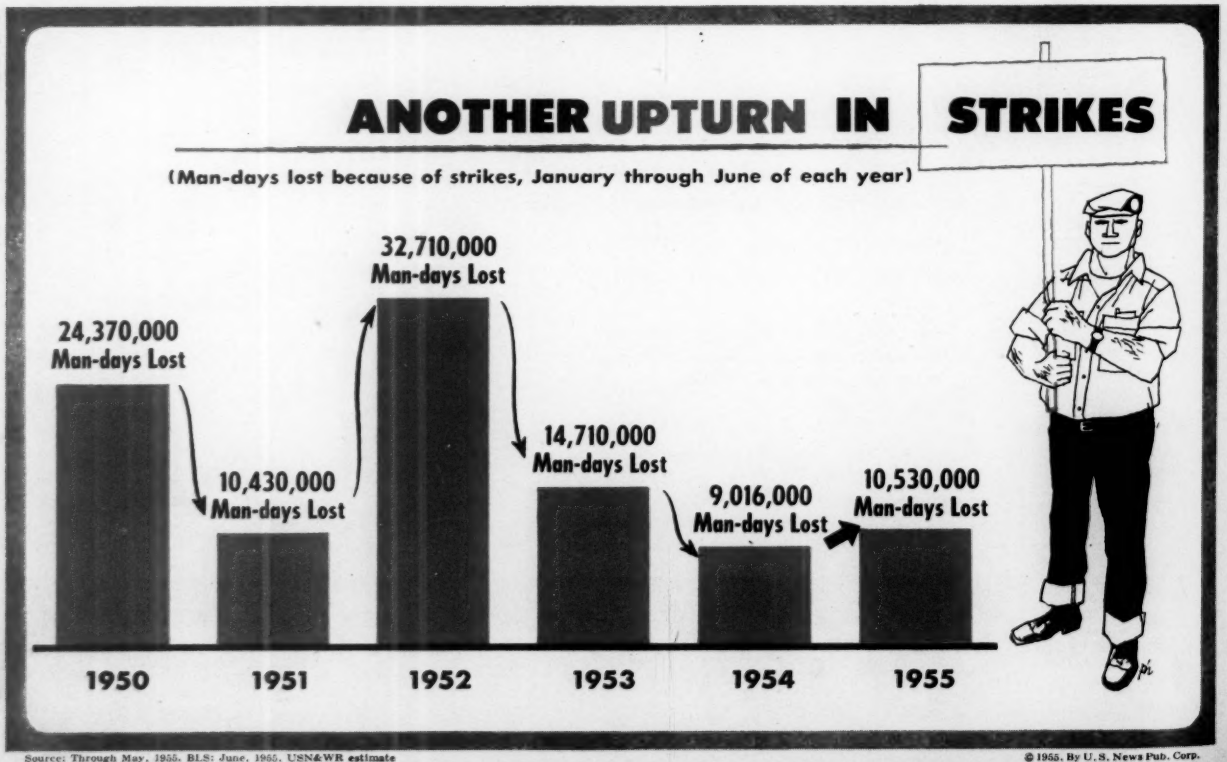
Governors of several Southern States intervened in the long dispute, and attempts were made to get the White House to take action, such as reconvening an emergency board that had reported earlier on the dispute. However, the Federal Government confined its activity to mediation, once the strike began.

The other Southern strike involved the Southern Bell Telephone & Telegraph Company, which serves nine States. Workers were off the job for 72 days, although telephone service was maintained by supervisory employes in most areas.

Federal mediators tried to head off this strike, and continued to meet with the parties during the walkout, finally getting an agreement worked out by the company and union. Again, however, the White House kept out of the strike.

Steel and auto threats. Soon after these strikes were settled, the Administration was faced with strike threats in the steel and auto industries.

In steel, Federal mediators kept out of negotiations between steel companies



Source: Through May, 1955, BLS; June, 1955, USN&WR estimate

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MEDIATOR FINNEGAN WITH SECRETARY MITCHELL
They stay out of disputes "as long as possible"

and CIO Steelworkers, even after the workers went on strike. The Government kept hands off, it was explained, to let the people involved settle things by themselves. There was no threat of seizure, or of White House intervention, and the strike ended 12 hours after it began.

No plans were made to invoke the Taft-Hartley Act, with its emergency section that allows the Government to get an injunction for 80 days against industry-wide strikes threatening "the national health or safety."

This White House attitude, employers noted, was in contrast to what happened in 1952 when President Truman seized the steel industry. The strike he tried to head off then came after a federal court ruled that the seizure was unconstitutional in absence of a law authorizing it. The Supreme Court upheld that ruling.

When a strike threat developed this year in the auto industry, mediators stayed away from the bargaining sessions between companies and union. The industry and union were on notice that they had to find their own solution, which they did without any prolonged shutdowns.

Strikes run on. There have been occasions, too, when strikes have been permitted to run on for weeks and months without White House intervention. Various textile mills in New England went through a 13-week strike before reaching an agreement with the CIO last week.

In that dispute, federal mediators sat in on negotiations before a strike deadline was reached, but at the invitation of employers and unions. Mediators also participated in negotiations during the strike and helped to arrange the settlement.

A few other strikes have been under way for months. An example is the strike of CIO Auto Workers against the Kohler Company plant in Kohler, Wis., which began on April 5, 1954. The company, which makes plumbing fixtures, has kept the plant operating with reduced crews.

A recent flare-up of violence in connection with the Kohler strike prompted an appeal to the White House last week for establishment of a fact-finding board to investigate this dispute. The appeal was sent by the mayor of Milwaukee, but he was advised by Gerald D. Morgan, special counsel to the President, that the Taft-Hartley Act limits such boards to disputes involving the national health and safety.

While again indicating the White House wish to keep out of labor disputes, the counsel informed Mayor Frank P. Zeidler that the Mediation Service was being urged to intensify its efforts.

Major disputes coming? Those are some of the strikes in which the hands-off policy has been tested, but officials believe that important tests are still ahead. There are signs that 1955 may have more strike activity than occurred in 1954. As the chart on page 80 shows, work time lost in strikes so far this year is greater than in the first half of 1954.

The strike policy has been developing gradually. Only in the last few months has it reached the point where mediators customarily stay out of disputes until a strike begins. Officials explain that mediators will move in earlier if both sides ask for it and if the dispute is important enough. But, they add, in most cases the mediators merely watch the negotiations from the outside until the walk-out starts.

The idea is that employers and unions must not rely on the Government to come up with a solution or force one side into a settlement it doesn't want.

(Continued on page 82)

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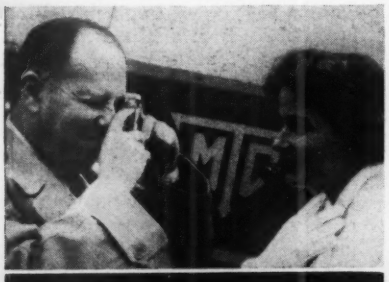

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. . . Sparing use is made of Taft-Hartley Act

Some major disputes are shaping up in the months just ahead—in coal, electrical-equipment, rubber, meat-packing, and other industries. It remains to be seen, officials admit, whether strikes can be avoided.

The hands-off policy began with Mr. Eisenhower's arrival at the White House in January, 1953. He made it clear then that he wanted to keep labor disputes out of the White House. No longer could unions and employers bring their troubles there for "conferences" and possible pressure for a "White House formula."

Pressures are off. Injunctions against big strikes, as provided for in Taft-Hartley, were used in a couple of the disputes early in Mr. Eisenhower's Administration, but, later, when James P. Mitchell became Secretary of Labor, he advised against using this weapon except in a strike emergency of serious proportions.

Then, too, the Administration has tightened up on the use of federal mediators in disputes. When Joseph F. Finnegan became Director of the Federal Mediation and Conciliation Service on Feb. 7, 1955, he promised that his staff would not try to "tell either labor or management what kind of a settlement they should agree upon."

Mr. Finnegan added: "That is a matter resting squarely between the parties, and is of the very heart and essence of collective bargaining under our free-enterprise system. To hold otherwise would be to invite a totalitarian approach to the solution of labor problems."

Ike States His Strike Policy

President Eisenhower, at a news conference on July 6, 1955, said in part:

"It is my belief that the Federal Government, as such, the executive portion of the Federal Government, should stay out of industrial disputes as long as it is possible, and to violate that rule only when a national emergency of some kind is obviously occurring."

Some Unions Take Second Look At Auto-Industry Wage Plans

Unions outside the auto industry are starting to take a second look at the plans for unemployment pay. One union, the AFL Machinists, now advises its staff to "think twice before proposing or accepting the Ford plan or similar plans."

A bulletin issued by the union's research department also reports that unnamed "independent observers" consider the price tag of 20 cents an hour put on the auto settlements "too high." The 20-cent estimate of wage and fringe benefits was made by the CIO United Auto Workers.

The bulletin advises machinists that some observers value the Ford package at 15 cents an hour and that they consider the unemployment plan to be worth 1 cent an hour, not 5 cents as counted in the UAW estimates.

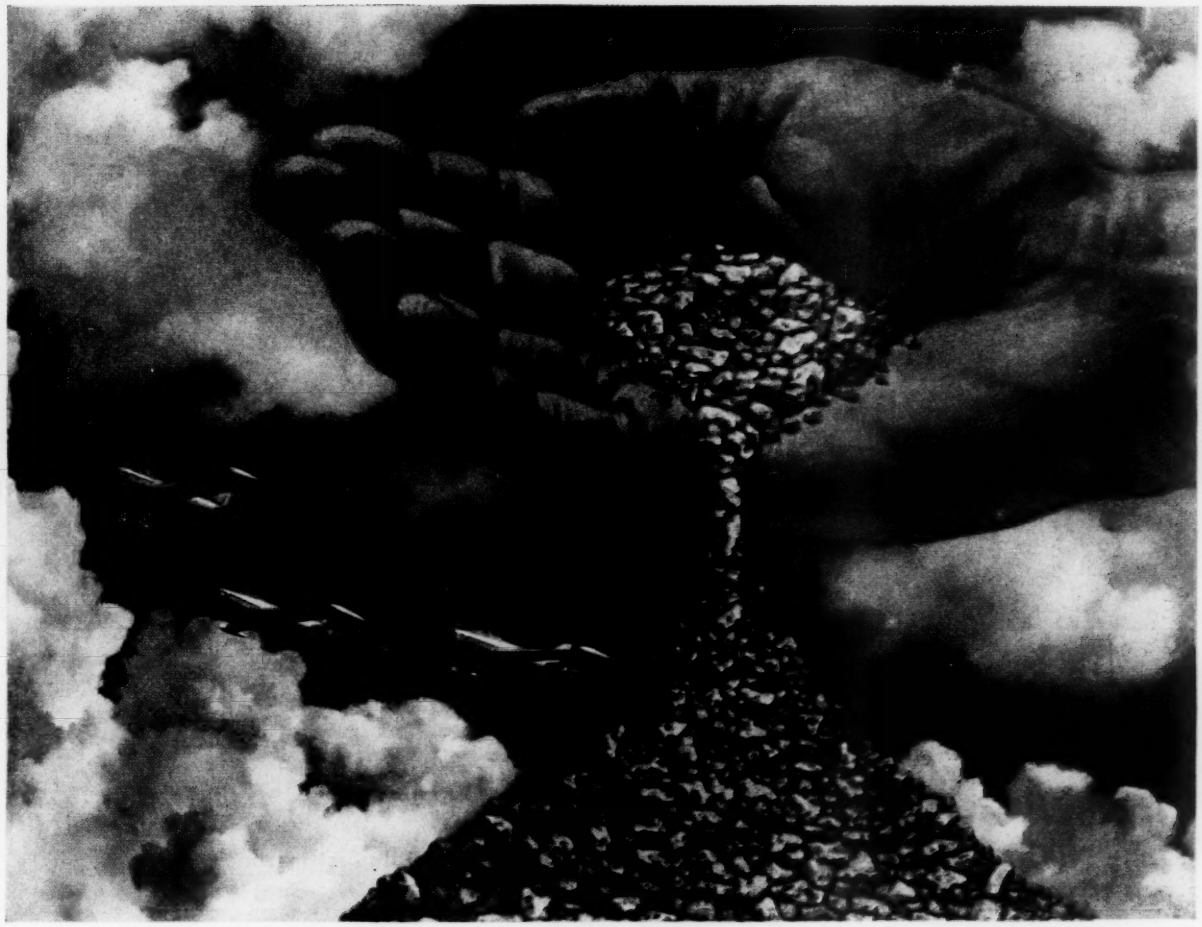
The bulletin adds: "The representative [of the Machinists Union] would be wise to use the higher figure in making his demands but keep in mind the lower figure in choosing the benefits he will settle for."

"The UAW-CIO undoubtedly had good and sufficient reason for accepting the Ford plan," the bulletin states. "But every IAM [International Association of Machinists] representative ought to think twice before proposing or accepting the Ford plan or similar plans. The Ford plan seems to promise far more than it will actually deliver.

"At first glance, it appears that the benefits promised under the plan are worth 5 cents because that is the amount that Ford will set aside for each hour worked by each employe. But because of the terms of the plan, it is estimated that the actual benefits to be paid will amount to about 1 cent per hour for each worker under the plan."

A Michigan worker earning $70 a week, the bulletin says, will receive no check from the Ford unemployment fund, because the State benefits will provide the total amount he is due to get under the Ford plan. The plan promises him 65 per cent of take-home pay for four weeks of a layoff, and 60 per cent for 22 more weeks, with the company fund supplementing the State checks.

If a Machinists Union local wants to bargain over a guaranteed-wage plan, the bulletin advises against copying any particular plan. "If you must copy a plan, take the best features and try to eliminate the worst," it adds.



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PLUS & MINUS
Latest Indicators of Business Activity

U. S. prosperity, already at a record high, continues to grow as consumers and business firms spend freely from their expanding incomes.

Department-store sales were 13 per cent ahead of a year ago in the week ended July 9. That compares with a gain of 4 per cent in the four weeks ended July 2. Hot weather early in July, coming after a cool spell in June, helped merchants in their promotion sales of summer merchandise.

Retail-store sales held in June at a record rate of 183.6 billions per year, up 6 per cent from a year ago and also 6 per cent above the peak that preceded the 1953-54 recession.

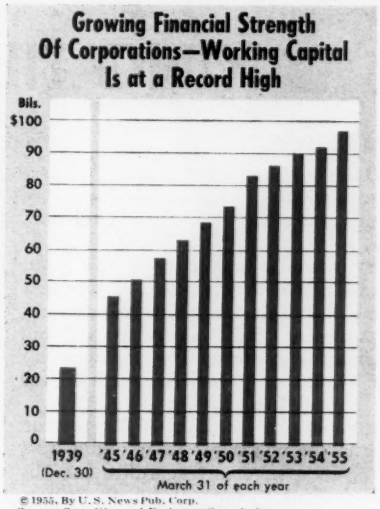
Autos and household goods, sold now on the easiest credit terms in history, scored the largest gains. Stores in the automotive group reported June sales 11 per cent above a year ago. Furniture and appliance dealers also rang up sales 11 per cent above last year.

Large-size gains were made by gasoline-service stations, up 7 per cent; food stores, up 8; building materials, up 6; general merchandise, up 5.

Personal income, before taxes, mounted to a rate of 301 billions per year in May, about 2 billions higher than in April and more than 14 billions, or 5 per cent, larger than a year ago.

Wages and salaries jumped to a rate of 207.1 billions per year, up 2½ billions, the largest gain for a single month in almost three years. Payrolls in private industry expanded sharply as employment, hours worked and wage rates went up together.

The spending mood of the public is reflected in a sharp drop in the rate of savings. Liquid savings of individuals fell to 1.7 billions in the first quarter from 2.8 billions in the first quarter of 1954. The drop would have been even larger had the final date for payment of federal income taxes not been extended this year from March 15 to April 15.



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Source: Securities and Exchange Commission

Expansion of debt, amounting to 2.7 billions in the first quarter, offset part of the money put away in the form of savings accounts, insurance and stocks and bonds. Individuals have drawn heavily on installment and mortgage debt this year.

Total assets held, however, add to the public's optimism. Personal holdings of liquid assets probably total about 214 billions at this time, up from 202 billions 18 months ago.

Paper profits won in the stock market doubtless are making many people more free with their dollars. In the last year alone, the market value of stocks listed on the New York Stock Exchange has risen by 44.9 billions.

Corporations, too, are prospering. Their working capital, shown in the top chart, increased to 98.1 billions in the first quarter. That was a gain of 2.3 billions for the period, largest for any quarter since 1950.

Main sources of funds for corporations are providing dollars handsomely. Profits this year are up substantially, larger amounts are being added to depreciation reserves, stocks and bonds sold publicly are bringing in more new capital.

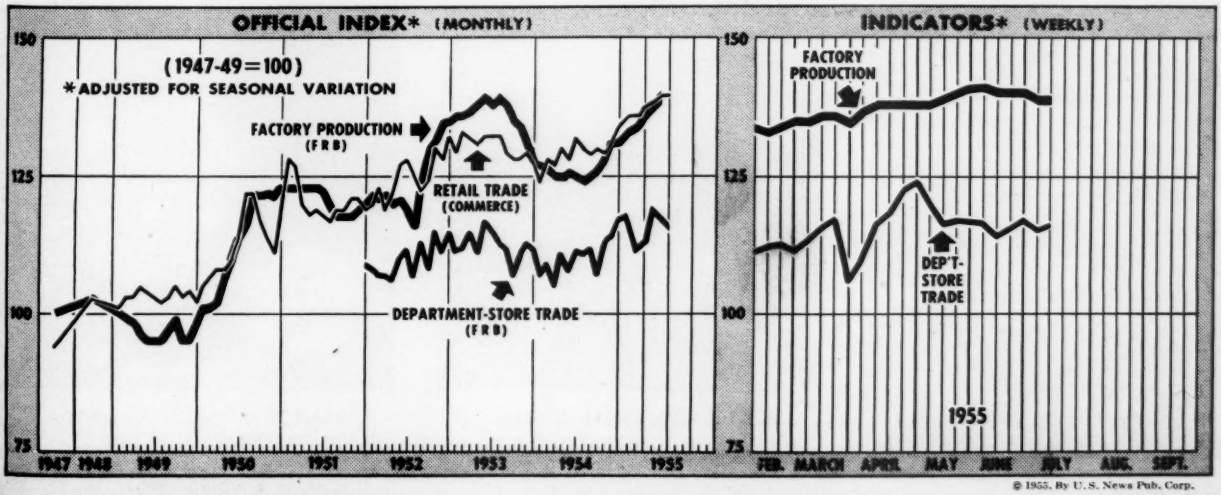
Corporate outlays are being spurred by the inflow of cash. Besides adding 2.3 billions to their working capital, corporations invested 4.8 billions in plant and equipment in the first quarter. Wage disputes are being settled on more generous terms than a year ago.

Strength of business activity is being maintained.

Carloadings ran 14.6 per cent above a year ago in the week ended July 9, one of the largest gains this year.

Buying from wholesalers was active in May, reflecting strong retail sales and the effort of retailers to maintain or increase inventories. Wholesalers shipped 10 per cent more goods than in May, 1954.

The rise of incomes seems likely to continue, accompanied by new gains in spending. The underlying trend of business activity is still upward.



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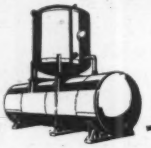

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FROM JAPAN

TAXING TILL IT HURTS

TOKYO—Many American business and professional men living in Japan are getting ready to pack their bags and leave.

The reason is that, starting next year, they will have to pay the full Japanese income tax. They will not have to pay the American tax, too, of course—but that is small comfort. The Japanese tax alone would cost them more than half their annual income.

An American earning $10,000 a year, for instance, will pay a tax ranging from 58 to 65 per cent—regardless of the source of his income—if he chooses to stay in Japan. In order to net $10,000 annually, he would have to earn $32,149, almost three times as much as he would have to earn in the United States to clear $10,000.

The Government crackdown on the incomes of foreign civilians comes as a rude jolt to about 3,000 American businessmen, doctors, lawyers, accountants and newspaper correspondents.

From 1946 to 1950, an occupation directive deprived Japanese of the right to tax any Allied nationals. Since 1950, American and other foreign civilians have been paying taxes only on that part of their salaries actually remitted to them in Japan from their home offices. And 50 per cent of that amount was deductible.

Nearly 200,000 Americans—military and Government personnel—stationed in Japan still are exempt from paying any Japanese income tax. American civilians, however, start paying the full tax on their total salaries next January 1.

The Japanese Government argues that foreigners should not be favored over Japanese citizens themselves. But Americans say that the new system is not as fair as it seems.

Expense accounts. A Japanese business executive, for instance, gets a very low salary and pays little tax on it. But his company provides him with a house, an automobile and driver, a television set, picks up the check for his parties and his golf-club membership and other

TOKYO'S BUSINESS DISTRICT

—Pix, European

FINANCE MINISTER ICHIMADA

For U. S. businessmen: the cold shoulder

expenses. The company writes off all these as legitimate business expenses—something that American individuals cannot do very easily.

Few Japanese declare all their cash incomes. The president of one of Japan's big companies last year declared an income of less than $1,000. But he has three houses, two cars and two mistresses.

No Japanese has ever been prosecuted for income tax evasion. If the Government suspects that a tax declaration is too low, all that happens is that appraisers visit the taxpayer and work out a mutually satisfactory "adjustment" over cups of tea.

It might prove difficult for an American businessman to take advantage of that practice. Japan and the U. S. have a tax treaty enabling each country to get information from the other on incomes of their nationals. Thus Japanese officials, in theory at least, could get evidence from Washington to use against any American in Tokyo attempting to make a false tax return.

On top of that, many Americans here think that the Japanese, out of nationalistic fervor or simply to set an example, might go after any American businessman suspected of trying tax evasion. And Japanese jails are no place in which to spend a cold winter.

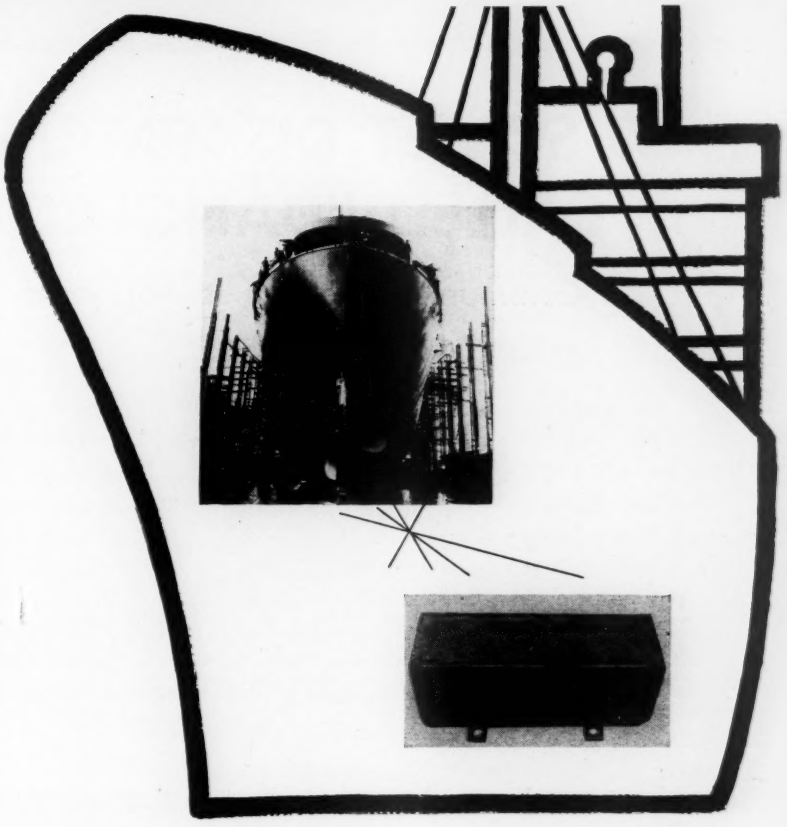
The real trouble is that U. S. civilians here, earning salaries that would be regarded as normal in America, are rich by Japanese standards.

A $6,000-a-year millionaire. This country collects most of its income taxes from people earning around $600 a year. Salaries of $3,000 annually are in the maximum bracket. An American salesman earning $6,000 a year is a millionaire in Japanese terms—and is to be taxed like one.

Family deductions, too, amount to very little—no more than $215 for four dependents. Thus an American earning $5,000 a year would be paying $2,240 in income tax after maximum deduction. An American earning $20,000 could keep just a little more than $7,000.

The Japanese Government is cold-shouldering efforts by U. S. officials and businessmen to get a compromise. Finance Minister Hisato Ichimada, told by an American diplomat that Japan would lose many U. S. civilians who were really helping this country, replied: "We've already made allowances for their departure."

Some U. S. companies here are planning to replace their high-salaried American executives with lower-salaried ones. Big firms will pay the income taxes for top executives they keep here. But many small American business and professional men are planning to clear out, rather than pay more than half their salaries on income taxes which few Japanese, themselves, bother to pay in full.



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SOVIET DISARMAMENT PLAN CALLED "DANGEROUS FRAUD"

Communist Strategy Is Analyzed by British Historian

Looking beyond the Geneva Conference—

Are there "booby traps" for the West hidden in the Communist "peace offensive"?

Will disarmament plans wipe out the threat of Soviet conquest?

Just what is Moscow up to?

Maj. Gen. J. F. C. Fuller (Ret.), one of Great Britain's outstanding military analysts and historians, reports here on the real dangers to the United States and its allies in the strategy that the Communists are now revealing.

General Fuller last appeared in *U. S. News & World Report* in the issue of Nov. 7, 1952, in an interview entitled, "How to Block Russia."

Following this article are three others on related subjects: an editorial for the London *Economist* appraising the Geneva Conference, an analysis of Soviet air strategy by Dr. Stefan T. Possony, and a discussion of the U. S. and its allies by Capt. W. D. Puleston, USN (Ret.).

by Maj. Gen. J. F. C. Fuller (Ret.)
British Military Expert

LONDON

The so-called disarmament ideas of Soviet Russia are, in fact, just another effort to weaken the Western nations.

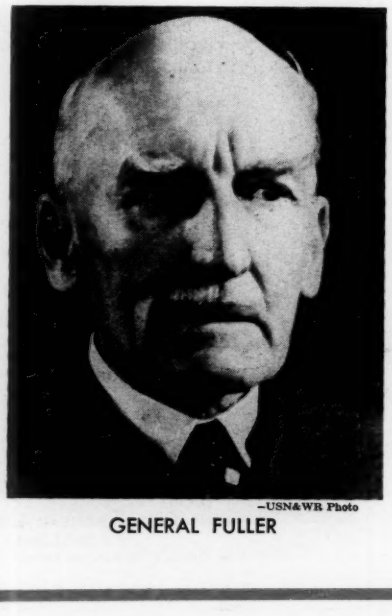
Yet Russia's schemes become increasingly dangerous. They are rephrased and redesigned in a misleading way to confuse and even, in some cases, convert the man in the street as to their plausibility.

Events have reached a point where it is hardly sufficient to point out, truthfully, that huge loopholes—opportunities for deceit and deception—exist in the Russian maneuvers. Instead, the pitfalls need to be made crystal clear to every literate person.

There exists a wishful yearning for peace which tends to become irrational. It feeds on a terrifying ignorance of what can happen if Russia *seems* to lay down some of her obvious weapons and simultaneously the free countries actually reduce their own defenses in a one-sided bargain.

Superficially innocent and normally sought objectives are, by chance, assisting the new Communist campaign to lull to sleep the capitalistic nations. Two big factors are, first, a popular desire to extend the current boom, even to sacrificing military security for the pursuit of more and more creature comforts. The second is the way in which the random remarks of scientists have impressed masses of people with an idea that even a shield of nuclear weapons is provocative and immoral.

There is, too, the "grand illusion" that good faith might accompany any piece of paper signed by the present rulers of the Kremlin. Nobody should be seduced by the hot air of propaganda set off at San Francisco by V. M. Molotov. And in the schemes outlined as recently as May 10 by Russia, the continuing weakness of any projected "international organ" to inspect and enforce arms cuts is truly a tragic joke. Remember, the Russians want nothing better than the futile type of "inspection" which has permitted such a Communist build-up in North Korea since the armistice there.



—USN&WR Photo

GENERAL FULLER

Basically, in present conditions, can any system of inspection and control be adequate? The high-minded Baruch proposals of 1946 on atomic development and the U. S. "working papers" of 1952 about disarmament are less and less invincible safeguards of the safety of the West.

As the scientist becomes increasingly important to effective weapons so does the laboratory—even the notebook—of the physicist, the whole mental apparatus being beyond the reach of any policeman. Would genuine inspection become an excuse for a new type of snooper, informer and counterinformer, a spying

. . . With its risks greater, "Kremlin is beginning to purr"

effort on a planetary scale? Surely the Western world would suffer from that as much as it already has lost from the almost commonplace espionage of the Communists. Eternal vigilance never stands still; it has to fit ever changing conditions.

Experienced students recognize the great land mass of Russia as an ideal area for concealment and dispersal of military resources. What kind of inspection, for instance, might prevent the Soviet from concealing any number of nuclear weapons in the remote Kunlun mountains near Tibet? Or, put another way, a scientist could design and a plant could make a superbomb in a hide-out under London without necessarily being detected.

As early as May, 1954, in arms talks with Russia, U. S., Britain and Canada, the French Government bluntly said the Baruch plan on atomic control was now obsolete. The French reasoned realistically that nuclear material had become so widely held and the Russians had tested so many bombs, no foolproof system of detection could curb would-be violators and ferret out hidden stores of weapons.

Once nuclear energy becomes a prime mover in the industrial world, it is as fatuous to suppose that the manufacture of nuclear weapons could be prohibited by international agreement as it would have been, once gunpowder was discovered, to have allowed the use of sporting guns and prohibited the manufacture of muskets.

The whole idea is fantastic and has been discussed time and again since in the twelfth century the Church forbade the use of the crossbow, because it was "a weapon hateful to God and unfit for Christian men." No more powerful weapon than the ones existing has ever been abolished or fallen into disuse until a still more powerful one has taken its place. No sane nation can risk prohibition by agreement, if only because its self-preservation transcends the written word, and all nations which do so are suspect.

Further still, the very suggestion of prohibition is irrational. Nobody wants war, and, again and again with no lack of authority, we have been told that nuclear weapons are deterrents of war. Why then remove the prophylactics and give the disease of war free play? In any case there is one thing the scientist can't do: he cannot put his inventive clock back –his babies are immortal.

In equally simple terms, if the U. S. agreed to move its forces out of Europe they would retreat thousands of miles across the Atlantic while Russia drew back troops out of East Germany only a few hundred miles into Poland.

Russia's Hidden War Strength

Stubborn facts of that sort could make it possible for Russia to *appear* to reduce military power yet actually to be in a greater state of readiness for war than any other nation. The principle applies with equal validity to the interchangeability of Russian industry, the rapidity with which an auto-making plant, turning out motor cars and tanks at the same time, has the capability suddenly to concentrate its whole output in tanks. Some serious analysts regard Russia, not Great Britain, as being, next to the U. S., the most advanced in the technique of the automatic factory–that is, the installation of machines operating other machines, sometimes called "automation."

Let us consider the dangers of today in their larger dimensions.

Since the war ended the Kremlin has been in much the same position Adolph Hitler found himself in after the fall of France. Of the latter, on July 19, 1940, Count Ciano wrote in "The Ciano Diaries": "Hitler is now the gambler who has made a big scoop and would like to get up from the table risking nothing more. . . . Today he speaks with a reserve and perspicacity which are really astonishing." Not so long after World War II ended, the Kremlin wanted to get up from the gambling table and risk nothing more from the Western powers, just as Hitler wished to risk nothing more from Great Britain by the end of 1940.

Hitler's reason was that he wanted peace in Western Europe in order to be in a position to concentrate everything against Russia. For nearly 10 years the Kremlin has sought to maintain Western Europe militarily impotent, so that it might concentrate on its plan of subverting the West by psychological warfare–"cold war." In other words, to carry on world revolution without the risk of actual war.

As long as Western Germany remained unarmed, Russia's risks stood at a minimum, because the United States and Great Britain were deprived of a powerful continental ally. Without one it would be impossible for the United States and Great Britain to prevent the Russians from overrunning Western Europe whenever they saw fit to do so.

While the risk of a big war stood at a minimum, Russia was bellicose–Berlin blockade, Korea, Indo-China, etc. Today this no longer holds good, because Western Germany is to be rearmed, and, though the risk is far from being pushed to a maximum, the rearming of Western Germany is likely to put a stop to a *rapid* overrunning of the West.

Why Soviet Might Withhold A-Bomb

The operative word is "rapid," because, in face of atomic and hydrogen bombs, it is of vital importance for the Russians to occupy non-Russian territory against which the use of these weapons by the Western powers would be severely restricted. Once in occupation, the Communists would be in an effective position to appeal to bourgeois humanity to call off the war, and, if London, etc., had not been atom-bombed, then to threaten to do so should Great Britain refuse to give in. Strategically I hold that it would pay the Russians not to use A-bombs, much less H-bombs or U-bombs, against Great Britain in the initial stage of another war, even if the Americans or British or both themselves already had resorted to nuclear bombardment.

There is another reason why the risk is no longer at a minimum. It is the internal state of the U. S. S. R. and the progressive counterpropaganda waged in recent years by the West. The latter has had and is having its effects–although one might wish for a more intensive campaign from our side.

It should be remembered that what the historian, Theodor Mommsen, said of Russia nearly a century back still holds good. Russia, he said, has never been a national state, but a state of nationalities. "The Russian Empire is a dustbin [trash can] that is held together by the rusty hoop of tsardom." Now the tsar simply is Red instead of White.

The change in risk has demanded a change of policy, and in accordance with Lenin's maxim of "one step back in order to gain two steps forward," the Kremlin is beginning to purr. Hence, among other things, the Russians trumpet their ideas on disarmament. They are specious in the extreme, larded with propaganda value and containing items which are so impossible as to render them null and void from the start.

(Continued on page 90)

. . . "It is fatal to pin faith on disarmament agreement"

Why have the Russians suddenly intensified their chatter about armament? Old Thomas Carlyle provides us with the answer: "If you do not wish a man to do a thing," he once wrote, "you had better get him to talk about it, for the more men talk, the more likely are they to do nothing else."

The analyst who follows Russian affairs knows that they do value three maxims. They are:

1 To delay a problem indefinitely is the next best thing to preventing an immediate, unwanted solution.

2 To confuse an argument by verbal acrobatics frequently is more profitable than to turn a diplomatic somersault.

3 What you lose on diplomatic turnabouts you gain on the propaganda merry-go-round.

Nevertheless, at bottom, as *U. S. News & World Report* tabulated in the issue of May 20, in talks with the Soviets to date there have been 106 million words spoken and 52 agreements reached—and 50 of those have been violated by the Russians.

Will the blessed word "coexistence" alter the facts? It was one of Lenin's pet slogans. He urged a policy of "collective security with participation of all European states irrespective of their social order."

After the last war Stalin persuaded the peasant and Socialist parties in Poland, Hungary, Rumania, Bulgaria and Czechoslovakia to fall for coexistence. First shake hands, next let's have a cup of tea together and lastly be eaten with the muffins—the old, old nursery rhyme which we all know: "'Come into my parlor,' said the spider to the fly."

Coexistence is a wood borer or weevil which works from inside. Let us then heed the words of that remarkable and clairvoyant man, Donoso Cortés, who just about 100 years ago in one of his lectures said:

"Russia will fight in order to inflict defeats . . . and then 'protect' the defeated country. And in the moment the defeated nation considers itself an ally it becomes Russia's victim and prey. The victories of Russia lead to 'protection'—her protection to death."

It would be fatal for the West to try to start a premature revolution within Russia. But it is equally fatal for us to pin our faith—disarmament is an example—on reaching durable agreements with the present Communist gang.

Realistically, the defensive strength of the West, so laboriously put together in recent years, justifies a greater degree of daring in our psychological counteroffensive. Do we, for instance, have more brains concentrated on our own nerve warfare, on cheering the discontented inside Russia, than we have manpower—your Harold Stassen and others—engaged in mulling over virtually intractable problems of controlling arms?

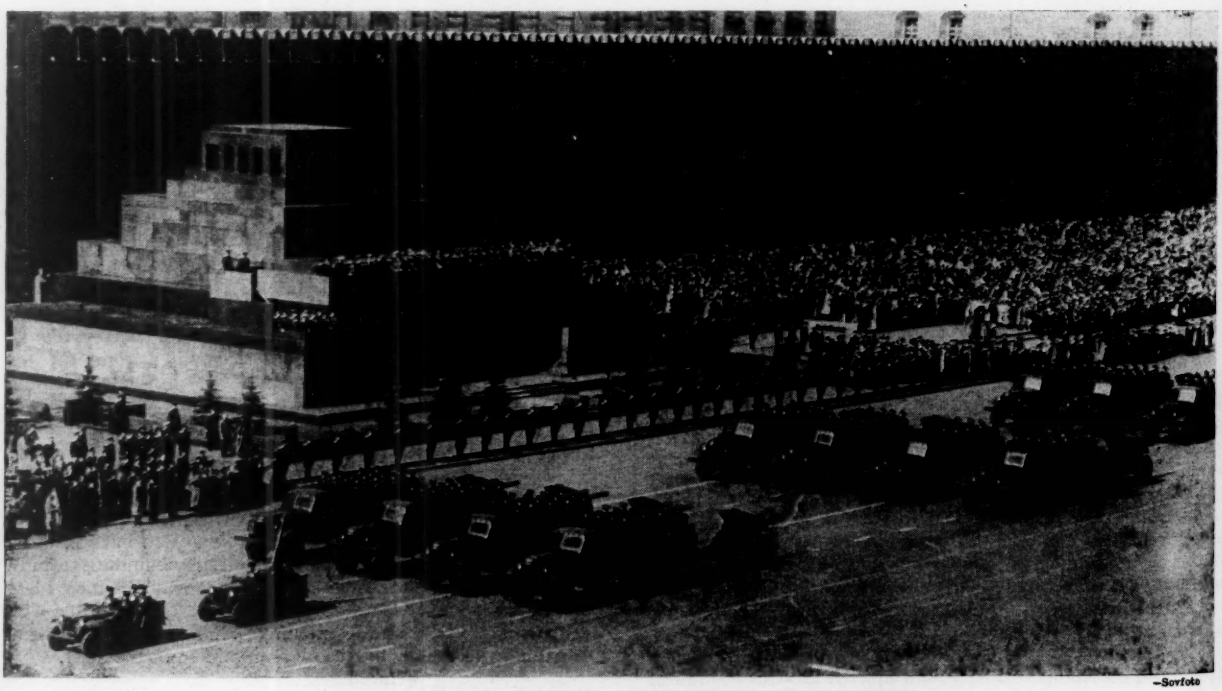
Disarmament is a noble word that also can be an ambush. It becomes a practical step *after* and certainly not before the causes of tension and war are removed. Those causes of tension can readily be summarized, for they are:

1 The occupation by Russia or Russian stooges of European countries—the so-called satellites.

2 The division of Germany.

3 The Cominform network—the cold war fostered by the Communists and waged from the Kremlin.

Once Europe is reunited and the occupied nations freed; once Germany is whole again and once the Soviets cease their underground campaigns everywhere in the world, then disarmament is a worthwhile topic. But until then it is a fraud—and an increasingly dangerous fraud!



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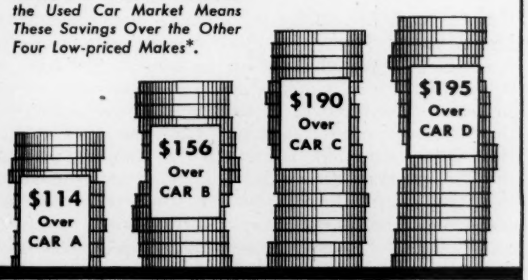

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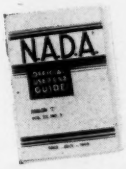

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WHAT MOSCOW WANTS

A Size-Up by the London *Economist*

This is the way an influential British publication, *The Economist*, sees the "new" Soviet policy for the Geneva Conference:

Russians, in their familiar fashion, have "maximum" demands which they would be surprised to get, but for which they will press hard if the West shows any signs of yielding.

How much the Russians actually will settle for, the magazine concludes, will depend on "the interplay between their own need for a settlement and Western unity, patience, skill and imagination."

Following is full text of the lead editorial in "The Economist" of London for June 25, 1955:

It is odd how many question marks seem to be held necessary by commentators on current Soviet policy. Nearly every discussion of this topic begins with a question; few end with an answer. Even Mr. Macmillan, in last week's foreign affairs debate, maintained that the latest Soviet moves could be interpreted either as "reassuring signs of a new policy" or as "sinister warnings of a more subtle but just as deadly a threat." The Foreign Secretary added: "One can speculate on all that for ever. . . . What we have to do is to act."

At the "summit" next month, and in the whole period of negotiation that is now opening up, it is to be hoped that the western governments will not seriously adopt the view that Soviet policy is too enigmatic to be analysed, and that leaps must therefore be made into the dark. For, in fact, the range for speculation is far smaller than Mr. Macmillan seemed to suggest. The Russians are approaching the imminent negotiations with a clear and consistent policy, and they have themselves provided an ample outline of it. Surely that outline must be the starting point for western policy-making in this new phase.

The five main elements in present Soviet tactics may be listed as: conciliatory gestures; an accompaniment of conditional threats; explicit and far-reaching demands; stubborn evasions on vital points; and multiple variations on the theme of neutralism. The first three, taken together, amount to a demand that the free nations must now make a choice—a choice between a *détente* on terms that would cripple both their defence and their bargaining power, and a new competition in strength which, Moscow claims, will destroy them. Western eyes, fascinated by the one conciliatory side of this diplomatic pentagon, have still to be fully opened to the other four. Mr. Molotov may have taken to a ten-gallon hat, but it is hardly surprising that he finds it too small; the Kremlin still commands plenty of brains.

The Russians are not themselves in doubt about the disruptive purpose of their recent gestures. As one Moscow radio commentator put it last week, western statesmen who thought that the new Soviet attitudes towards Austria, Jugoslavia, disarmament, Western Germany and Japan were the result of the "bankrupt policy of positions of strength" (the Atlantic alliance) were quite wrong; all the Soviet moves had, in fact, successfully "checkmated" this western policy, which *Pravda* describes as "in the throes of a profound crisis" brought about by the new Russian diplomacy.

Moscow is insisting as strongly as ever on its monopoly of peaceful intent, and demanding that the western governments must match its recent "concessions." It is evidently important for its policy that western leadership should seem baffled and angered by the Russian moves. The tranquil reaction of Mr. Eisenhower and Mr. Dulles to the invitation to Dr. Adenauer proved impossible to fit into this picture; it was therefore firmly passed over, and Moscow has been pouring out stories about "consternation in Washington" instead. Great pains are also being taken to distort the American suggestion that the "summit" conference might discuss the promises of free elections that were given to East European countries after the war. *Pravda* and its satellite echoes transform this into a demand to restore "the regime of capitalists, landlords and gendarmes." For their part, the Communists say that at Geneva they will "emphasise everything that might make for agreement."

Unfortunately, they are simultaneously making it clear that they will do nothing of the kind. Quite some time before Mr. Molotov's speech at San Francisco, they had already semi-officially issued their list of "urgent problems ripe for solution," and it contains seven far-reaching demands. In proposing the removal of all armed forces from Germany, they give no encouragement to anyone in the West who thinks they would be content if the Americans fell back to the Ems or even across the Channel; *Pravda* makes it plain that they must return to Kansas, while the Russians retreat no further than Königsberg. Nor does this apply to Germany alone; a second demand (on which the latest Russian disarmament terms are made to depend) is for the abolition of all military bases on foreign soil—leaving Germany a military vacuum, with the French army facing the Soviet and satellite forces across the north European plain almost alone and without even American air support from British or North African bases. M. Pinay pointed out earlier this month that the West's true security is its common defence organisation "including the presence of allied forces in Europe, which is the real guarantee of it." Moscow evidently makes the same diagnosis; and it seeks to destroy that security at the root.

These first two Russian demands are obviously unacceptable to the West, but others are piled on top of them. Communist China's right to a veto-wielding position in Uno

. . . "Nonsense to deduce Russians are giving up basic aims"

[United Nations Organization] is pressed as part of a general Far Eastern settlement based on "sovereignty," implying the abandonment of Formosa and doubtless of south Vietnam, too. The "cold war" must be halted; this unelaborated demand embraces the ending of western broadcasts to Eastern Europe and of support for refugee organisations, but not any corresponding slackening of Communist propaganda and activity in free countries, for that, Moscow insists, is nothing to do with Russia and must not even be discussed at Geneva. The western governments must wind up their controls on the export of strategic commodities and equipment to Communist countries, whose own governments would, however, retain their total control over all foreign trade and their power to use it as a political weapon; the Soviet bloc's six-year boycott of Jugoslavia, and Russia's abrupt action against Australia when the Petrov inquiry began, are instructive examples.

A Plan—but No Questioning!

A sixth and a seventh item, both of them familiar enough, were later named as "really urgent problems" for discussion at the "summit"; European collective security, and disarmament. Here one reaches the evasive side of the pentagon. When the Russians speak of "European collective security," they are referring to a specific plan, long canvassed by Mr. Molotov, under which all European countries would rely for protection on pledges given by all other European countries. This plan, which evokes the ludicrous idea of, say, Hungary falling upon Russia's flank in the event of a Soviet attack on Finland, would be laughed out of existence in a matter of weeks if it were seriously proposed in any country where free discussion is possible. The Russians are, not surprisingly, unwilling to answer any searching questions about it, but it is constantly flown, like a gaudy if somewhat fragile kite, too high for close inspection.

No explanation is offered why a European collective security system should be preferred to the world-wide system which Uno ought to provide, and whose development Moscow has persistently blocked; nor do the Soviet leaders admit any inconsistency between this preference for the part rather than the whole and the Litvinov maxim that "peace is indivisible." "European" security suits the Russians because it edges the United States out while leaving them dominant throughout the continent—their propaganda now dwells on the theme that the Soviet Union is a European power, while Americans are strangers—but it is presented in quite other terms. Disarmament, likewise, is a field for evasive tactics. The Soviet terms offered on May 10th, although at first sight far more realistic than anything previously offered, still contain blurs and gaps at vital points; and Mr. Molotov's claim at San Francisco that Russia had "accepted in full" the western plan for conventional arms was a bland lie.

Turning to the most openly unfriendly part of the new Soviet policy, the western analyst notes a certain confusion. For months before the ratification of the Paris agreements, Soviet diplomats at cocktail parties were muttering "This time we are serious" (a remark to whose revealing implications they seemed blind). After ratification, the Russians solemnly interred their treaties with France and Britain; and almost at once Mr. Molotov was in Paris beaming at the very man who carried the agreements through. The melodramatic Warsaw conference gave birth to a mouse, and since then the threatening rumbles have become fainter. The Warsaw fiasco doubtless reflected rising Soviet hopes that the West Germans could yet be weaned away from the western alliance, and that the painful business of baring an East German army to the eyes of Poles and Czechs could be avoided. But it would surely have been better not to have made the big bow-wow noises in the first place. Mr. Molotov at least should know by now that they yield diminishing returns as surely as cries of "wolf."

The fine hand that signed with Ribbentrop the pact which carved up Poland is more evident in the last sector of the "new look" policy. Never has the ancient strategy of "divide and subjugate" been more skilfully executed. Mr. Molotov's warehouse now stocks shades and grades of neutrality, non-involvement, freedom from alliances, active coexistence, zones of peace, toothless Titoism, and non-playing Nato [North Atlantic Treaty Organization] membership, to suit all the possible clients who can be detached, or semi-detached, from the alliances of the free nations. He has tried on the "neutral belt" idea, found it cramping and slipped into something looser, his comfortable old "European security" habit. And at this point the pentagon is completed. For the most notable thing about the conciliatory gestures that form one side of it, and in themselves are meant to create a general mood of euphoria, is that, apart from disarmament, the most important of them have been made not to the West or the free world as a whole, but to selected nations; first to the Japanese, then the Austrians, the Jugoslavs and the Germans. And in each case the basic appeal has been, quite simply, "see how nice we can be to you if only you shake off the deadly Anglo-American embrace."

Change in Soviet Tactics

After a tour round Moscow's new diplomacy such as has been attempted here, certain things are crystal clear. It is nonsense to deduce that the Russians are at last giving up their basic aims. As the Foreign Secretary suggested last week, they are trying to get the free nations to lay aside their protecting coat by beaming instead of blasting; but they want the coat off just the same, and they are quite open about it to all who care to listen to them. The West's new strength and unity have evidently helped to bring about their change of tactics, as have the Russians' own internal difficulties and dissensions; but that does not mean that their diplomacy is in retreat, or that there will be any lessening of subversive activity by their local Communist pawns. On the contrary, the Russians are approaching the "summit" in their familiar fashion—with a set of "maximum" demands which they would be surprised to get, but for which they will press all the harder if the West seems ready to yield.

How much less the Russians will actually settle for depends on the interplay between their own need for a settlement and western unity, patience, skill and imagination. The last is not the least important. If western statesmen can do no more in the phase of subtle diplomacy that is now beginning than adopt negative and defensive postures, the West will lose not only the confidence of "third-party" nations, but confidence in itself. The real challenge to the West is to show itself not more elastic and yielding than the Russians, but more imaginative and positive in the pursuit of peace.

Communism and A-Bombs:

THE ROLE OF AIR POWER IN SOVIET WORLD STRATEGY

Just how much of a threat to U. S. is Communist Russia in this H-bomb era, if all efforts to reach agreement fail?

What Soviet air strategists can and cannot do is laid out here by a recognized American authority. The Russians' alternatives:

- **An atomic blitz, with certainty of U. S. retaliation, a good chance of mutual suicide.**
- **Disarmament of the West by some form of agreement, followed by atomic blitz to finish off U. S. retaliation power, possible victory.**
- **Attrition of U. S. air power by a series of limited, "little" atomic wars, then massive attack on U. S. when its strength is low.**

This realistic appraisal is by Dr. Stefan T. Possony, professor of international politics at Georgetown University and a special consultant to the U. S. Air Force.

by Dr. Stefan T. Possony

Special Consultant, U. S. Air Force

Marx and Engels died before the advent of aviation. Lenin did not show much interest in military air power. Stalin's pronouncements on the subject are rather negative and highly reminiscent of the somewhat prejudiced statements made in the United States by World War I generals and admirals to the Congressional committees investigating military aviation in the 1920's. It is therefore quite true that there is no such thing as a Communist "doctrine" on air power and that Communist military experts have shown little interest in, or understanding of, the problems of aerial warfare. Not surprisingly, many military analysts in the West have concluded that Soviet military leaders do not ascribe as much significance to strategic air warfare as do American and British strategists.

We should not be too hasty with such deductions. Soviet strategy is not necessarily planned in strict accordance with the *obiter dicta* of late Communist redemptors or their living apostles. There may be many reasons, including security and deception, why Soviet military writers do not want to talk about nuclear air war or are content with plagiarizing statements by Western pre-atomic soldiers. Rather than deal with Soviet "doctrinal" writings, we should look at what the Soviets actually have been doing. Two important facts stand out:

(1) Since the early twenties Soviet military leaders, including the celebrated Marshal Tukhachevsky, have shown great interest in air power. If they did not succeed in building strong strategic air forces before 1945, it was not for want of trying but for lack of industrial and technological resources.

(2) Since the end of World War II, and particularly since the emergence of a truly productive aeronautical industry in Russia, the Soviets have made great strides in the development of their air forces. Never before in history has an air force developed so fast and on so vast a scale. It is also probably true that, relatively speaking, the Soviet Union is devoting more resources to air power than any other major nation. There is a possibility that even in absolute terms their investments in air power are currently the largest in the world. The growth of the Red air forces has been particularly rapid in the last three or four years, during which time they have acquired modern jet aircraft in all combat categories. It is inconceivable that the Soviets would have undertaken their gigantic aerial program if they did not "believe" in the overriding future importance of air power.

Regardless of the dogmas of the dead, the Soviet strategic position has undergone a profound change since 1945. Until the defeat of Germany and perhaps until the Communist conquest of China, the primary mission of the Soviet armed forces was to prepare for operations on the Eurasian land mass. Surface operations in Europe and Asia still are a most important Soviet security interest, and ground forces must continue to play a key role in their military thinking.

But since 1945 or 1946 Soviet leaders have chosen to consider the United States as their main opponent. Accordingly they must develop a weapons system with which they can prevent the United States from threatening the Soviet Union with nuclear air attack. It is a fact that the United States could exert exceptionally strong military pressure against the vital centers of the Soviet Union. Therefore unless the U.S.S.R. develops a weapons system that presents an equally strong threat against the vital centers of American strength, it would be in a significantly inferior strategic position. In fact the Communists would be allowing the United States to threaten them with *unilateral* atomic warfare. As long as the United States is able to destroy Baku or Sverdlovsk, the Russians must be able to destroy Pittsburgh or Houston.

Even the most ardent believer in surface force must realize that there is no practical way for the U.S.S.R. to put real pressure on the United States and at the same time extricate itself from a dangerous threat to its international aspirations,

except by creating intercontinental air power. Moreover distances, the size of American cities and industrial installations, and the firepower requirements to destroy such targets render nuclear weapons indispensable. Without them the Soviet Union can present no real military threat against the United States. The development of intercontinental *nuclear* air power is thus an ineluctable necessity for the U.S.S.R.

It is certain that the Kremlin has analyzed its strategic problem in these or similar terms. That it has is borne out by the manner in which the U.S.S.R. has been developing military aviation. But this does not necessarily mean that the Soviets must adopt strategic air power as their one and only weapons system or that they must emulate American air strategy. The Soviets have great faith in the efficacy of their traditional conflict technique. They have gone on record time and again that *combined* weapons systems are far more powerful than any single "master weapon," however devastating. A large nation does not build a weapons system by beginning from scratch but integrates the new arm with existing forces and techniques. This must be particularly true in the case of the Soviets who, in their combined military and nonmilitary weapons systems, possess a unique conflict tool, the value of which they have never doubted. We can deduce, therefore, that they will make every attempt to integrate their new aerial weapons with their existing Communist conflict machine, both to increase the power of air operations and to improve the effectiveness of their older capabilities of conflict and conquest.

–USN&WR Photo

DR. STEFAN T. POSSONY

War of Coextermination

It seems inevitable that the Soviet leaders have decided, first, to go all out for the development of nuclear air power and, second, to combine their aerial weapons system with their other organizations for conflict, particularly with the international Communist apparatus. But having made these two decisions, a third problem must loom large in their minds. Since the United States now operates under a policy of avoiding war, the Soviet Union has the capability of launching the initial strike. In the nuclear age the belligerent who attacks first holds an overwhelming strategic advantage, far superior to the frequently decisive advantages which surprise-aggressors possessed in past wars. The nuclear aggressor stands an excellent chance of reducing his opponent's capability to counterattack or retaliate.

But the same power of atomic weapons which confers on the aggressor this dividend in strength paradoxically may vitiate his strategy of nuclear blitz. If only a fraction of a retaliatory force can strike back at him, devastation could be large enough to destroy the cohesion of his social fabric. The advantages gained from surprise initiation of the conflict through massive atomic attack thus may prove quite illusory, irrespective of the possibility that the destruction in the attacked country might exceed the devastation in the aggressor nation. This is particularly true in a hypothetical war between the Soviet Union and the United States. By and large, Soviet industrial targets are more vulnerable than targets in the United States, and the Soviet government is far less assured of popular support than the United States government.

Accordingly the Soviets cannot adopt a strategy which would lead to a nuclear duel, nor *any* strategy in which they would be the recipients of a substantial number of atomic weapons. Whether 500 or 5,000 nuclear bombs would be required to terminate the life of the Communist dictatorship is immaterial. Soviet leaders must consider the grave risk that the survival chance of their regime would be diminished if Russia were subjected to nuclear bombardment on *any* significant scale. They cannot hope to fight a war without loss or risk; however since the destruction of the United States is not an objective in itself but merely the most important step toward their goal of world conquest, they must try to wage war in such a manner that Communist power will be increased rather than diminished in relation to that of third nations. The mutual extermination of the United States and the Soviet Union may leave the military power of the other nations intact—including some which today are considered weak. Regardless of the political and material fate of the United States, the strength of many surviving or neutral nations could then be adequate to overcome whatever Communist power might remain in the ruins of Soviet Russia. Hence the Communist strategists cannot accept a war concept which would entail the destruction of the primary base of the world revolution. The question arises: how can the Soviet Union defeat the United States without being destroyed even in victory?

Soviet Strategic Concepts

To a Western mind the problem of victory with survival may seem like the traditional one of squaring the circle, but to Communist conflict thinkers, with their long experience in revolutionary operations, the problem is hardly novel. For many generations Communists have grappled with the task of overthrowing a government vastly superior in power to their revolutionary organizations. While fighting its more powerful foe, the Communist Party had to make every effort to avoid destruction at the hand of a government which, had it only willed, could have exterminated the revolutionaries.

Logic and experience have indicated that successful revolution is the result of three distinct factors:

1. Freedom of Action. A strong and determined government, especially of the autocratic or dictatorial type, can suppress any significant revolutionary activities. Against such a government sustained subversive operations are possible only in the form of propaganda from exile, that is, only in preparatory efforts. The establishment of effective revolutionary forces and the acquisition of revolutionary striking power can occur only *after* oppositional and revolutionary activities have been legalized and when the bulk of these activities is being protected by political and constitutional

. . . Soviet plan: "U. S. must be subjected to war and defeat"

means against repression. Hence the first requirement of the revolutionary is the acquisition of freedom of action.

2. *Simultaneous Pressure.* The gradual growth of revolutionary strength within the framework of a state granting political freedom does not by itself enable the revolutionaries to seize the government. It is conceivable that by evolutionary means revolutionaries may acquire ever more influence on the state and society and ultimately send their representatives into the government. The danger of relying exclusively on such a process of gradual advance and frequent stops, however, is that it lasts too long. The cohesion and resolve of the revolutionary movement may falter; its motivation may fall out of tune with the times. As revolutionaries reach cabinet status, their fervor abates—it happened to the socialists of the Second International—while the rank and file revolutionaries grow old and contented and become opposed to strife and risk. While building up their organizations and strongholds revolutionaries must at the same time exert pressure, submit to counter-pressure, precipitate events, and ultimately seize the government and smash it—as Lenin told them. The existing order must be destroyed, not merely modified or usurped. But before the revolution gets to that point, the state machinery, and in a broader sense the entire social structure, must be fatally weakened and disintegrated, either through inner decay or by termite tactics.

Prescription for Revolution

Moreover, both as a result and as a cause of social disintegration, deep-seated dissatisfaction and wide-spread disaffection must exist among the populace of the nation. This disaffection must manifest itself in such rebellious activities as mass strikes, large-scale passive resistance, disobedience, desertion among the military, and during the last phases of the process of decay, in the appearance of large rebellious crowds and insurrectional and terror bands in the streets. Until rebellious movements assume a truly mass character and while the government is still able to put down rebellions and uprisings, the state has not yet been disintegrated. In a truly revolutionary situation either the government no longer dares to use its security forces, or else the security forces themselves have become utterly undependable. Also in a revolutionary situation the rebellious masses no longer fear repression but continue to demonstrate, rise, and attack, regardless of casualties.

The emergence of such a situation is the condition *sine qua non* of a revolutionary seizure of power. Communists have succeeded often in gaining freedom of action, setting up "class warfare organizations," and equipping subversive forces. But in most instances those forces fall short in their insurrectional undertakings simply because the government attack had not been paralyzed and disintegrated before the rising. Experience has shown that economic or routine political crises, such as a world depression of the 1932 magnitude or even the runaway inflation in Germany during 1923 (when currency fell to one trillionth of its value) are not "disintegrators" of sufficient effectiveness to produce genuine revolutionary situations. Such situations can come about only as a result of war, with its incident heavy devastations and casualties, and, more specifically, as a result of a resounding military defeat.

The Russian Revolution is a child of military defeat. The Chinese Revolution resulted from many years of dislocating wars and numerous piecemeal defeats. Accordingly the Communists have recently preferred, unless in exceptional cases, to forego the classical nineteenth-century strategy of revolutionary insurrection and to gain power primarily through military and paramilitary means. This does not suggest that they do not employ other means as well. Diplomatic pressure, propaganda, evolutionary build-up of strength, and insurrections will be used where opportunity permits. It does mean that these short-of-military-pressure techniques have become subsidiary weapons designed to enhance the effectiveness of the main, the military, weapons system. The Communists do not expect to defeat major opponents except with maximum power and violence, regardless of cheaper and easier strategies which might occasionally be successful against weaker enemies.

Since the Soviets consider the United States the chief obstacle on their road to world dominion, they must be considering ways and means to remove this formidable roadblock. Unquestionably the United States can be harmed by many tricks and techniques, but the point is to paralyze and dominate its total power. Such an ambitious objective can be reached only through a decisive military defeat, presumably on American soil, or through a completely successful Communist revolution. In Communist thinking war and revolution are closely linked in the sense that revolution can take the place of war or that revolution follows a war which has produced a revolutionary situation. Since it is very unlikely that the United States will fall victim to a revolutionary situation brought about by crises short of war, this means that America must be subjected to war, devastation, and defeat if it is to be eliminated. If revolution in the United States can be counted on at all, it can be conceived only as a terminal phase in a major military conflict, as a short-cut to physical and forceful occupation but not as a substitute for a Communist *military* victory. It does not require much imagination to see that atomic weapons could be the greatest "dislocators," and hence producers of revolutionary situations, that history has ever known. The atomic weapon thus fits in closely with the Communist conflict doctrine.

3. *Exploitation.* Once a revolutionary situation has arisen, it can be exploited by actual seizure of power in the conventional organized insurrection or, in the more modern version, by gradual political conquest culminating in a coalition government* which can be transformed step-by-step into a Communist dictatorship, or, perhaps in a future conflict, by means of airborne military forces supported by native revolutionaries.

Unilateral Nuclear War

This, then, is the established Communist conflict doctrine. We must suppose that it applies to a situation wherein nuclear air forces have become the "main force" of the revolution. If so, we may deduce that to prepare revolutionary conquests in the nuclear age the Soviets first must seek to bring about situations in which their nuclear air forces enjoy freedom of action. Secondly, they must exploit this freedom to create revolutionary situations which, in the third phase of the process, will allow them to seize state power. Their single most important task is to achieve nuclear freedom of action against the massive nuclear strength of the United States.

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*In Communist parlance this is a government in which Communists and crypto-Communists hold cabinet rank—usually controlling propaganda and at least a portion of the security forces—and in which the placing of militant Communists in key positions is allowed throughout the nation's administrative, military, economic, and social structure.

. . . "Soviets untiring in efforts to induce U. S. disarmament"

To express this problem in another way: the purpose of Soviet strategy must be to create a condition in which they can drop nuclear weapons on American targets but in which the United States has been deprived of its capability to employ its own nuclear weapons. The purpose of such a *unilateral* nuclear war would be to produce a revolutionary situation or perhaps destroy this country altogether. At the same time the U. S. would be inhibited from creating revolutionary situations within the Soviet orbit.

There are several conceivable methods by which a situation of unilateral nuclear war could be set up. One easy method would be to induce the United States and its allies to disarm and to destroy their atomic stockpiles, on the strength of Soviet promises, which would not be kept, to do likewise. As a variant the Soviets might agree to accept some kind of mutual control to keep the United States disarmed and, through secret methods which would escape the attention of the Western powers, continue to produce their own atomic weapons. As another variant the Soviets might concentrate their propaganda proposals not on nuclear weapons but on delivery vehicles and try to accomplish aerial disarmament, perhaps by means of pressures operating against the American budget-making structure. There are some who think this disarmament scheme is too naive and that the Soviets would not be able to get away with it. The fact remains that they have been untiring in their efforts to induce American disarmament by diplomatic maneuvers in the United Nations, by the creation of a strong "peace" movement, and by psychological efforts against nations allied with the United States. But let us assume that these efforts will fail. The problem still would be to achieve unilateral war, despite the fact that the United States will have retained its arsenal.

DEVELOPING NUCLEAR FREEDOM

There are essentially four methods which a revolutionary aggressor has at his disposal to create the prerequisites of unilateral nuclear war:

Create Technical Superiority. For the first ten years or so of the nuclear age the United States possessed a technological unilateral war capability against the Soviet Union. In the future such a capability may emerge in the form of a monopoly possession of an atomic *delivery system* which the opponent cannot stop or of an attack system which strikes so rapidly that the defender will be crippled before he is able to retaliate. Technical superiority also could be achieved through an aerial defense system which is so effective that the opponent cannot carry out his retaliatory attacks as intended. In short a technological imbalance would be developed, allowing the aggressor to deliver his atomic stockpile while inhibiting the defender from doing likewise.

Achieve Tactical Surprise. A second method of fighting unilateral atomic war would be to achieve full tactical surprise, especially with respect to the timing of the initial blow, the direction and targets of the strike, and the tactical procedures adopted for the operation. History has shown that tactical surprises have more often succeeded than failed, provided they were undertaken by a resourceful military leader acting with the support of an aggressively resolute government. If tactical surprise were successful, it too would mean that the attacking forces cannot be halted and that they can cripple the opponent's capability for counterattack before the retaliatory blow is struck.

Paralyze Retaliatory Forces. Another method would be to incapacitate the retaliatory forces on the ground by sabotage and infiltration or by an open, violent assault by insurrectional forces timed so that the retaliatory forces will be paralyzed temporarily—at the very moment when they are needed most.

Expand Power Orbit. A fourth method would consist in the continued and rapid build-up of Russia's industrial and technological strengths, the acquisition of key geographical positions, esepcially in the Arctic, the development of an integrated political and military orbit, strength, and the open or camouflaged absorption of many "uncommitted" nations. Expansion of the Communist power orbit would be accompanied by attempts to isolate the United States and weaken it from within. The purpose of this two-pronged operation would be to create a substantial superiority of military, industrial, psychological, and political power wherein an American victory may seem to be impossible of achievement, with the result that the U. S. might hesitate too long before ordering the atomic forces into battle. While the effectiveness of each method employed singly may be questionable, a four-barreled undertaking along these lines could be quite effective.

CAPABILITY VS. WATCHFULNESS

Nevertheless the success of such techniques depends on the aggressor's capability as well as on the defender's lack of watchfulness and moral stamina and on his gullibility. For example, while the determined leader can demand of his staff that they achieve clear-cut and substantial technical superiority, the ability to comply with the request is another matter. It is highly probable that the aggressor will allocate vast resources to the achievement of technical superiority. Still, success may be delayed. The technological race may be won with too narrow a margin. Or, while the technological race may be won in a fashion, the production and deployment race may be lost. Most responsible military commanders undertake major efforts, as a matter of course, to achieve a strong surprise posture and to protect their forces against the various forms of surprise. But only the act of war will reveal the extent of their success. In the nuclear age the smallest slip-up may be deadly —and can it reasonably be expected that there will be no slip-up at all?

This naturally is also true in the political and economic fields. The Communists may be able to build additional "positions of strength," and by the development of their orbit and their political actions against the West may achieve a *statistical* superiority of power. This is by no means certain; in fact in the light of the continued industrial expansion of the United States, the gradual consolidation of the free world, and the strains within the Soviet orbit, it is highly improbable. But the point is precisely that in the nuclear age "statistical" strengths, or "war potentials," have lost much of their significance and that even a vastly stronger Soviet bloc scarcely could escape devastating attack—unless, of course, the moral backbone of the free world and especially of the United States had been broken in advance and unless the United States entrusts its security more to its "war potential" than to its forces-at-instant-readiness.

But is the accomplishment of Soviet superiority not an unrealizable hope? Are not some Western observers overly impressed by the rapid industrial and military growth of the Soviet Union since the end of the second World War, forgetting its near-defeat in 1941 at the hands of a considerably weaker nation (which for that matter was fighting against other major powers)? It is a fact that Soviet Russia, and even more so the Soviet orbit, is still a primitive area which must overcome numerous crucial deficiencies. Unfortunately the idea that the Soviet Union with its vacillating and underdeveloped

. . . "Atomic bomb can be used as psychological weapon"

allies could take on the intensively developed and, for a long time to come, far more powerful United States, together with other highly industrialized nations, and finish it off in one series of well-prepared intercontinental blows, no longer is so fantastic as it would have been ten years ago. And Soviet strength continues to grow.

The task remains forbidding. The Soviet strategist is confronted by the most difficult military problem of all times. The probability is very high that something will go wrong with Soviet planning, that the demoralization of the free world will not proceed according to plan, and that the Communists will make some blunder which would lead to their destruction, regardless of what happened to the United States. It is true that when an American looks at the growing strength of the Soviet conflict machine, he may not see the carefully hidden material and moral difficulties with which the Soviet government must cope. By contrast the Soviet leaders, who traditionally have been awed by the might of the United States, cannot help contemplating their own difficulties and applying all safeguards to minimize the risks inherent in their conflict with the United States.

SOVIET STRENGTH FACTORS

The difficulty of preparing reliably effective surprise attacks is compounded by the inevitable requirement that the operation must be launched across the world oceans and against numerous targets dispersed all over Europe, Asia, Africa, and North America. No precedent exists for such an operation. Therefore reliance on *truly effective surprise* to preclude substantial retaliation would be both hazardous and a violation of a strongly emphasized point in Soviet military doctrine: *to prepare and exploit windfalls but never to entrust one's fate to transient and fleeting elements of strength, such as surprise postures, however attractive they may be at a given moment.* The penalty for failure would be the extermination of the Soviet system and the end of Marxian socialism, except as a subject for historical research. Being better students of history than some American abstractionists, Soviet leaders hardly entertain doubts on this score.

At this point, however, the Soviet strategist might be in a position to make use of one of the "permanent" strength factors in his armory:

1. Political and Subversive Warfare. The Communists have capabilities for political and subversive warfare, for infiltration in critical economic activities, and for the running of many well orchestrated propaganda machines. They exercise full control over Communist and crypto-Communist parties in all of the countries allied with the United States. They possess or influence paramilitary forces in many lands of the free world and, last but not least, they hold out the lure of "peaceful co-existence." All these could be factors in getting the Western alliance to disarm or at least to keep armaments at dangerously low levels, to maintain poor standards of readiness, and to provide for retaliatory forces of less strength, less strategic and tactical security, and less penetration capability than would be required. American disarmament may be a wish dream of the Soviet strategist; but the *degradation* of American armaments and the fostering of *decrepitude in free world strength* is a real capability. Who can say at this moment that this Soviet capability is not now being exerted with some effect or that, regardless of Soviet efforts, free world armaments never will fall below a level commensurate with the growing threat? The American nuclear strength is the main obstacle to the Communist strategist's freedom of action. But the Western strategist's performance is greatly handicapped by budgetary and political limitations. To be sure, this Soviet capability to degrade Western armaments is a derivative of free world vacillations, lack of resolution, and unwillingness to shoulder economic sacrifices. Even so, it is a potent factor in Soviet operations.

2. Iron Curtain Security. A second Soviet "permanent" strength factor stems from the Soviet security system, which combines far-reaching intelligence coverage of foreign countries with a very effective blackout on information from within the Soviet's own borders. It may be arguable whether the iron curtain is really a curtain, and if so, whether it is made of iron. It is even more arguable whether the Western alliance is unable to pierce this curtain. The fashionable opinion that the Soviets know all about us, while we know nothing about them, with the result that there is a unilateral flow of intelligence, is certainly unwarranted. The fact remains that the Soviet capability to achieve technical and tactical surprises is enhanced by the iron curtain. Further, Western weakness in intelligence, however relative it may be, is compounded by democratic acquiescent willingness to allow the Soviet Union, if it is so inclined, to strike the first blow. Thus, with the initiative safely in their hands, the Soviets can decide to go to war when and if, in the course of the everlasting technological and industrial race, their military posture has reached a peak. Since such an advantageous posture must be expected to be temporary, the inclination of the Soviet strategist to exploit the opportunity was described by Oscar Wilde when he said: "I can re. st everything but temptation."

And yet technological progress everywhere follows its own laws. It is not necessarily dependent on up-to-date intelligence, although lack of reliable information must be paid for by more extensive and costly technological and industrial programs. While one side may gain an advantage, it does not necessarily deprive the other side of its capabilities, nor does technological progress become a monopoly possession of the contestant with the better intelligence system. Soviet political warfare and intelligence capabilities are great, but these capabilities may have been declining for many years in most of the leading Western nations. Still, a strategy of intercontinental surprise remains a most hazardous and dangerous business, the risks of which can be reduced *but not eliminated* by political warfare and superior intelligence. Unless, therefore, the Communists succeed in reliably rigging the game in their favor, or unless the "muscle" of the American military budget is cut as a result of our homegrown follies, the Soviet Union would be truly foolhardy to initiate a global nuclear war that could not fail to become a war of co-extermination.

Nuclear War of Attrition

Has war therefore become impossible? We have no reason to assume that the Soviet government has abandoned its objective. So we must look for other means with which it may want to beat the free world at the nuclear game. Let us go back to Communist doctrine. We know that the Soviets must aim, first, at acquiring freedom of action, second, at utilizing this freedom to create additional strength, and third, at disintegrating their opponent while becoming stronger themselves. The Kremlin has not told me what it wants to do, and therefore I can only speculate about the way the Soviets might apply their doctrine to the atomic problem. But it seems to me that the atomic bomb need not be used exclusively as a weapon of physical destruction. It also can be used as a psychological weapon, not necessarily for the pur-

. . . "No evidence Soviets have given up playing with fire"

pose of defeating the United States but rather to acquire the much-coveted freedom of nuclear action.

ATOMIC BLACKMAIL

If exploited for brazen, uninhibited blackmail, the atomic bomb may prove to be a psychological weapon of extraordinary potency. The mere thought of nuclear destruction could force many nations into submission. More important still, it could obviate the danger of American intervention, at least so long as vital American interests are not at stake. This atomic *chantage* could be played in such a manner that the free nations might become paralyzed by fear and give in to Soviet demands in order to forestall Communist ruthlessness. The continuous threat of atomic warfare would engender fear, hysteria, and terror, thereby dislocating moral determination and mental clarity and opening to the Soviets many opportunities for political warfare. To sap the will to resist surely would be the cheapest employment of nuclear weapons. The history of revolution indicates that mental terror often is a far more effective weapon than physical violence. The military use of the nuclear capability would bring the greatest result, but it would do so at the greatest risk. By contrast the psychological use of the nuclear capability may be expected to yield relatively good results at minor risks. While atomic blackmail hardly would work against the United States, and so *in itself* would not be a weapons system capable of giving the Soviets world rule, it still would be a strong enough weapons system to allow a gradual extension of the Soviet orbit, effective interference in many countries, and the gradual erosion of the American alliance system.

LOCALIZED CONFLICTS

The creation of additional relative Soviet strength would be an ominous development. It will not do to argue that further Soviet expansion will be permitted only in "unimportant" areas. In the first place the mere fact that Soviet expansion had not been stopped would be a highly dislocating factor. In the second place the true significance of the process would be less in the continued accumulation of Soviet strength—for example, through the emergence of "peace-loving" governments in some of the smaller nations—than in the disintegration of the major strengths of the free world. Assume, however, that the predatory advance was directed neither against an "unimportant" nor against an "important" area but against one of intermediary strategic value and that the free world decided to resist but to avoid full-fledged intercontinental war. Or assume that there will be limited interventions in local civil wars; or that a series of international wars will be fought with limited objectives in narrowly circumscribed areas, with both sides emphatically refraining from adopting a strategy of mutual extermination. In other words assume that for some reason or other localized wars will be occurring again. If so, a crucial question will arise: will the main belligerents fight those wars with weapons presently called "conventional," or will they employ nuclear weapons?

The answer depends on the time of the conflict. The sooner such a war should occur, the greater would be the reliance on "conventional" weapons. With respect to the Soviet leaders, however, we never should forget that they would employ their military forces *together* with their paramilitary, subversive, economic, and psycho-political forces and also make major efforts in the field of policy sabotage.

NUCLEAR SUBSTITUTION

As time passes and nuclear technology develops, however, the odds will become increasingly greater that nuclear weapons will have been integrated into, or actually have replaced, "conventional" weapons systems. This process of nuclear substitution seems irresistible if only for reasons of budgetary tightness. It really is a simple and unavoidable calculation: if a target can be destroyed by one nuclear weapon carried by one aircraft, such an operation is considerably cheaper than the destruction of this same target by 500 planes carrying some 4,000 tons of high explosives. A similar calculation can be made for ground and naval weapons.

But there is a still more stringent reason for nuclear substitution that exceeds the purview of simple economy. Since nuclear weapons have become available to major powers, there is no certainty whatever that such weapons will not be used. And if only to ensure its own security, every major nation must possess such weapons and the required delivery system. Suppose the decision were made not to use these weapons. Nations would still find it necessary to maintain a conventional combat capability *in addition to the nuclear capability*. Thus, you would create a *double* military establishment, with the second system being the more costly and the less effective. The odds are that no such development will take place and that nations will restrict their military budgets to the acquisition of just *one* military establishment which by necessity must be based on the atom.

Ban on Nuclear Arms?

Theoretically, of course, there exists a possibility that nuclear weapons will be kept from armaments. Disregarding the pressures from technology, nations might agree to forego nuclear preparations and devise a system of mutual control. But this is exactly where the concept breaks down. It is entirely unlikely that a system can be devised which will *guarantee* that there can be no clandestine nuclear armaments. Thus nations would feel compelled, as a backstop to their agreement, to maintain "insurance nuclear forces," and we would be back at the point of a dual military establishment. Assuming that the technical difficulties of mutual control can be overcome (which I doubt), it would then appear that controls will function reliably *only* in democratic countries which have a fully developed free press, free speech, *habeas corpus* provisions, no secret police, a judiciary which administrates the law fairly, and a constitution which recognizes the legal relevance, if not the primacy, of international agreements. This means that a safe control agreement could be concluded with Russia only *after* that country had adopted a truly democratic form of government, in which case the threat of war would have evaporated anyhow.

There is the other possibility that to minimize the risk in a localized war the Soviets simply will not use nuclear weapons, preferring to take their chances with a sort of ramshackle secondary weapons system. Or they may rely on some kind of a creeping war—for example, a war of guerrilla operations. This type of operation might help their expansionist schemes somewhat, but it would not give them strong leverage against the United States. The whole argument boils down to this: the Soviets can adopt a strategy-short-of-nuclear-weapons *only* if they previously abandon the goal of world dominion and make the concurrent decision *not* to eliminate the United States as the leading nation by military methods, contenting themselves with regional power in Eurasia. The Soviet leaders might very well make such a decision *if* they were to conclude that there is no satisfactory and safe solution to the atomic problem. Unfortunately there is no evidence that they have given up playing with

. . . "U. S. must be pushed hard if it is to go under"

fire. Hence if war comes again, be it ever so much restricted in geographical scope, ultimately it will see the employment of nuclear weapons. The simple but overwhelmingly important fact is that fissionable materials cannot fail to become the "conventional" explosives of the future.

CONTEST OF ATTRITION

At this point a very interesting development could take place: in a contest in which nuclear weapons are employed, the side which controls the air is the potential or actual victor. In a limited war, as in a global war, the battle for air control must be the decisive battle. But a local air control battle will be fed from resources *outside* the combat zone. Since it would be fought with atomic weapons, the attrition on the contesting air forces must be exceptionally high. Whichever side stops supplying the battle from the home base loses the local war, but if neither side desists voluntarily one belligerent necessarily must be attrited before the other. Who will succumb to attrition first? Obviously the side which has the smaller forces-in-being and a slower personnel replacement rate and which has failed in time to order all-out industrial mobilization. Unexpectedly factors like mobilization, which were believed obsolescent, may make their reappearance. Their revival would be due to the re-emergance of "sanctuary war," an interesting variant of atomic conflict which can be fought without "total risk," because the main industrial bases of the belligerents are left intact by mutual tolerance.

Now with its customary economy budgets and its frequent shortages of forces-in-being and usable reserves American air power might come out second best in this contest of attrition. Even if deficiencies are repaired speedily after the outbreak of local war, attrition still may come about as a consequence of just a small dose of "too little and too late," and of a somewhat hesitant determination to win the particular conflict. Political warfare then could really prove decisively effective.

If American air power were put through the "meat grinder" of a local atomic conflict, it might be attrited to the extent of losing its global posture. This could be the result of repeated attempts to regain air control after it had been lost in the wake of surprise nuclear attack. Attrition to this futile cause could be avoided only if the battle were stopped in time (and in this fashion another country be abandoned to the Soviets) or the conflict carried into other theaters. Naturally the enemy may be attrited himself. In an atomic slugging match he may lose his effective intercontinental striking power. But remember that the side which initiates nuclear attack in a local theater should reap all the habitual advantages from such a surprise blow. In this context we assumed that the nuclear duel would be started by the Communists.

Regardless of whether the ultimate would be reached in a particular local attrition campaign or in a series of such campaigns, the point is that *limited nuclear war offers a suitable method of creating the conditions of unilateral nuclear global war.* If a local war can be engaged under conditions favorable to the Soviets, if local American air forces can be destroyed through surprise nuclear attacks and the United States forced to replenish, perhaps several times, its local air strength, they could rapidly "work through" American air power without necessarily suffering heavy losses themselves. The global strategic significance of such defeats would be dependent on U. S. strengths-in-being: if American air forces were closely tailored to fit just the over-all mission of defense and retaliation, their strength could be whittled down through such "unplanned" commitments. The global aerial imbalance for which the Soviet leaders are striving might emerge in this roundabout way.

CONTROLLED WAR CONCEPT

In such a situation the United States may be tempted to stop acting as the U.S.S.R. wishes and resort to offensive employment of nuclear strength at the time and place of its own choice in order to eliminate the Soviet capability of attrition. The Soviets realize, of course, that the United States must be pushed, and pushed hard, if it is ever to go under. Each Communist push inevitably recreates the risks to Soviet survival. Therefore a new concept must be brought into play, the concept of *controlled war*—war with many holds barred. The purpose of such a war would be to attrite Western strength and to advance the Communist position but to prevent the Western nations, especially the United States, from adopting any strategy designed to break out of the trap, much the less to employ its nuclear power offensively. The capability of the Soviets in this field of controlled war is enormous. It again is a derivative of their over-all political weapons system and their atomic blackmail capability. Precisely because nuclear weapons might have been used in local theaters, the fear of full-fledged atomic war could get out of hand. to the point that no suitable counter-strategies would be authorized. In this case the local defeat would have to be accepted, in order to preserve the main American aerial strength; but the Soviets would have made some vital steps forward.

Even if the United States refused to accept local defeat, the Soviets may reason that, before adopting a strong counter-strategy, the American government would issue suitable warnings and attempt to compose the conflict. Hence the Soviet leaders would have ample opportunity to cut losses and withdraw. If so, a continuing advance through the application of controlled war would pose only small risks for the U.S.S.R. Future attempts in this field may or may not be modeled after the pattern of the Korean and Indo-Chinese wars, one of which the Communists did not lose and one of which they won. From their point of view the main shortcoming of both wars was that they did not produce enough political dissension within the United States and that the American armed forces escaped demoralization and material attrition. But both wars proved that the American nuclear capability can be neutralized by *political means* and that expansionist progress is possible, provided that immediate goals are modest. The greatest "risk," therefore, in using controlled war recurrently may seem to lie in the possibility that an offensive operation would have to be called off and the Soviets forced to fall back to their positions *quo ante.* They would be unable to secure additional gains, but while trying to advance they would be insured against loss. Wouldn't we all like to play the stock market on such a convenient basis?

GAINING AIR DOMINION

A controlled war need not remain a localized conflict fought by "proxies." It could expand into a full-fledged Russo-American war fought with nuclear weapons but without adoption of a strategy of co-extermination. The battle for air control would be of key importance, with one of the belligerents eventually winning it. This victory may come in degrees, ranging from air control via air mastery to air dominion. The military force which in a nuclear war has gained in initial advantage should be in a position to drive forward to conclusive results. Hence the air force which initially establishes ascendency may end up with air mastery, or even complete air dominion. Air dominion can be described as the

. . . "An American strategy of daring really should pay off"

posture of a belligerent wherein he can execute all the aerial operations he wants, while denying his opponent the ability to fly.

But can a global air dominion be established at all? Such a vital and definitive military success should be obtainable as a result of full attrition in a theater campaign, or of a global campaign waged for air control, or as a result of a combination of both strategies. The point of this discussion is to suggest the possibility that attrition in a local war could set up the attrited air force as a "sitting duck" target for a follow-up intercontinental offensive launched, at a moment of favorable strength relationships, with full application of all surprise techniques. The initial and local attrition of a hostile air force followed by its intercontinental annihilation may be the high road to air dominion. In turn air dominion would place the air dominator in a position of waging unilateral, *strategic* nuclear war. Thus, while most Western thinking revolves around a war whose *first* battles would be fought intercontinentally with nuclear weapons strategically employed, the chances are that the Soviet leaders contemplate the utilization of their long-range nuclear air power against American urban and industrial targets during the concluding battles, *after* their definitive conquest of the air.

Let us assume that such a situation has come into existence and that American air power has been crippled. To be sure, the outcome could be entirely different, and the United States might wind up as the master of the air. But we want to know how the Soviet leaders would wish to employ their atomic weapons in order to accomplish their hypothetical air victory. With the USAF down and out, the conflict could be decided merely by the psychological exploitation of the presumed Soviet unilateral capability. The U.S.S.R. could summon the United States either to desist or to suffer systematic atomic bombardment. If the U. S. should prove hard of hearing, the Soviets might attack one or two cities and announce that, if their ultimatum is not accepted within 24 hours, they will destroy additional cities—and name them. This could go on to the bitter end.

Atomic Blitz for U. S.

But it might not happen that way. In the first place the impotence of the American forces need not be complete or the Soviet leaders might fear that there is some, or in any event too much, of the American retaliatory capability left. Hence they might see themselves compelled to attack a large number of key industrial targets in North America. But, secondly, they may without further ado proceed to exploit their air dominion and blast the living daylights out of American targets.

What would be the purpose of such bombardment if the U. S. already were prostrate or willing to surrender? The Communists are unresponsive to humanitarian reasoning. In this particular case they may be anxious to disintegrate the free society as a means of preparing for their post-war activities. They probably would feel that they must cripple, preventively, any American resistance and revival capability, eliminate the U. S. even as a potential "base" of significant power, destroy American living standards, reduce the American population, liquidate the various "kulak" classes, and create misery and chaos as a prerequisite for the imposition of Communist world rule. The job of smashing the bourgeois society and state, not only in the United States but in other free nations as well, may be entrusted to the nuclear air force substituting for less-potent conventional weapons of class warfare.

Or the Soviets may want to end the war in the classical style, with a revolution. For this purpose they may desire to use nuclear bombardment to create revolutionary situations, produce "mass movements"—not necessarily clamoring for Communism but vocally representing the cause of "peace" (i.e. surrender)—and to prepare for the exploitation of this revolutionary situation through the political, insurrectional, or military seizure of the government by local forces. In short, nuclear bombardment after victory would appear to be a possible novel technique both of revolution and of Assyrian destruction.

What Will the United States Do?

My discussion was not intended to forecast future events. My purpose was merely to elucidate the manner in which the Communists *may* be looking at the nuclear air problem. Their atomic air strategy is still unfolding. Its ultimate form will be dependent, in part at least, on what the United States will be doing or failing to do. My main—and unproved—assumption was that at all costs the Soviets want to avoid being pounded by American nuclear air power. They will launch an initial surprise attack against the United States only if and when we expose ourselves through erroneous military and political policies, including, above all, a fatal underrating of the Soviet threat. But if proper American policies (which, in my opinion, we have not yet quite adopted) were to forestall a Soviet strategy of direct approach, they would experiment with a strategy of indirect approach based on three fundamental concepts:

1. Freedom of Action. Gain freedom of action by means of political warfare, including atomic blackmail, by the integration of the Soviet orbit, and by the incessant expansion of Soviet military production and territorial holdings.

2. Surprise Element. Maximize the element of surprise through emphasis on technological progress, intelligence, and deception and through political warfare especially designed to slow down American technological advances, reduce levels of preparedness, paralyze free world decision-making, and disintegrate the social fabric and the morale of the free nations.

3. Global Air Mastery. Whittle down and weaken fatally American and Western military power by committing it to massive development and attritive combat overseas and attempt to gain *global* air mastery first through *localized* and then through *limited* warfare. After gaining air dominion, strategic nuclear attacks may be launched unless they are deemed unnecessary.

While there are numerous weak spots in such a strategy, the effectiveness of the scheme should not be underrated. The best foundation for successful American action would be the realization that, essentially, a Soviet strategy of *indirect* world conquest would be leading from weakness rather than strength. Since the Soviets cannot take too great a risk, an American strategy of daring based upon a firm decision not to allow the U.S.S.R. to push us around further, really should pay off. Morale is the key factor which in the long run will decide the outcome of the free world's struggle with Communism. If the American nation and its allies should succumb to fear, and if they should lose the will to win, then indeed there will be no place to hide.

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The foregoing is full text of an article by Dr. Possony in the U. S. Air Force "Air University Quarterly Review," published by the Air University, Maxwell Air Force Base, Alabama.

HOW LONG CAN U.S. TRUST ALLIES?

Historian Says: Only So Long as They Stand to Gain

Russia now is wooing America's allies, and all of this country's many alliances are coming into question.

How can the U. S. tell which allies to trust? How long will they stick?

Such questions are discussed here by Capt. W. D. Puleston, USN (Ret.), a former director of intelligence in the Navy Department and a historian who has won wide recognition as a military analyst.

Captain Puleston traces the history of past alliances, finds all lasted only so long as they were profitable to both sides. He applies this test to America's present alliances and sets out his conclusions about how U. S. should reshape its foreign policy.

by Capt. W. D. Puleston, USN (Ret.)

Noted Military Analyst

Many Americans today are puzzled at the consequences of the last two world wars. People see the United States now allied with its former foes against its former friends. They see the United States, after fighting and winning two world wars, now involved in a new struggle against a combine of forces led by the nation that this country once helped to save, Russia.

Americans would like to know: Why, after this nation avoided entangling alliances for more than 100 years, it became involved, in a quarter of a century, in two world wars fought on foreign soil? Why, after assisting Italy and Japan to defeat Germany in World War I, we had to join with Great Britain and Russia to defeat Japan, Italy and Germany in World War II? And most urgently Americans want to know why Soviet Russia, to whose aid we rushed in 1941, emerged from that war powerful enough to menace her former allies, including the United States?

Veterans of World War I are entitled to know why their sons were required to fight a second world war, and why their grandchildren are being prepared for World War III.

The United States fought two wars to dismember Germany. Now, we are using all our efforts to reunite Germany to protect us from Russia. The U. S. spent generations supporting China. We got into a war on account of our desire to help China. Now we're doing our best to halt the advance of China into Formosa and Southeast Asia.

In each world war and in Korea, the United States fought to save other countries. Then, after winning each war, the U. S. renounced all idea of territorial gains or other profits.

And now, like a cat chasing its own tail, the U. S. is engaged all over again in setting back up the countries that it conquered, in order to protect itself against its former allies.

This is the most absurd paradox the world has ever seen—and the world has seen plenty of paradoxes in its history.

The only explanation for the situation in which the U. S. finds itself today is that American diplomats and leaders, in the last half century, have been thinking too much in terms of helping other nations—and not enough about looking out for the interests of the United States.

The big question that Americans have a right to ask of all the leaders who have had anything to do with formulating our national policy since 1914 is this: What is the aim of America's foreign policy?

From the dawn of history—at least until the United States entered the international scene—rulers and foreign ministers thought that their primary duty was to their own country. Alliances were made and wars were entered only with the idea of promoting their own country's interests.

The simple, somber fact that any skeptical reader can confirm by spending two mornings in any good library is this:

> Nearly every alliance voluntarily formed since before the time of Christ has been based upon the self-interest of the nation contracting that alliance.

The idea that one country should form an alliance or fight a war to help another country is comparatively new in history. It was virtually unheard of until President Woodrow Wilson announced in 1917 that we were fighting a war to end war, and that we would not accept as a reward for our victory any acquisitions of territory or other advantages to American interests abroad.

Again, in the second World War, the United States helped to liberate nations, then turned those nations over to a rival power. We saved Formosa with the lives of American boys. Now we are being asked by our allies to give Formosa to our enemy.

Americans have a right to ask: Does any President of the United States have the right to draft an American boy to die for any country except his own? Does a government of any nation have a right to put the interest of another nation ahead of its own?

American diplomats also owe it to the people to explain: Why, after President George Washington disentangled this nation from the French alliance of revolutionary times, and after this nation avoided other entangling alliances until

. . . "Alliances are based upon temporary self-interest"

1917, did the United States help to sponsor a world alliance, the League of Nations? Why, later, after the League's failure, did we sponsor a United Nations in which we had so little confidence that we immediately reinsured the U. S. by negotiating other alliances such as the North Atlantic Treaty Organization, the Organization of American Republics and the Southeast Asia Treaty Organization?

It is time that Americans take a coldly calculating look at all these alliances that this nation has contracted in the last few years.

It is not only shown by history that alliances are based upon temporary self-interest of the contracting nations, but also another simple, somber fact of history is this: Nearly all alliances have fallen apart the moment that they ceased to serve the interests of all the members.

Coalition wars fought by alliances invariably have been followed by an immediate dispute among the victors over the distribution of the spoils and the determination of the defeated nations to recover their losses by new combinations of alliances or by more careful preparations for the next war. That is the endless struggle throughout history.

History is full of examples of how alliances are based upon temporary coincidence of national interests—and then fall apart when those interests diverge.

Athens and Sparta, about 490 B. C., were rival city-states, dominant members of two opposing Greek alliances. Yet they joined forces to resist the invasion of Greece by the Persians. When this common menace was removed, their alliance ended, their rivalries revived and they fought each other.

The Crusades afford abundant evidence of the frailties of alliances, even those inspired by religious motives. Many of the Crusades, launched by alliances, degenerated into a struggle for the aggrandizement of individual member states.

The generations coming after the Crusades were as undependable in their alliances. Charles V, King of Spain and Emperor of Germany, united his forces to resist the advance of the Turks, under Suleiman the Magnificent, into the Danube Valley.

The territories of Charles almost encircled France, so France's King Francis I allied himself with the Turks, who used French Mediterranean ports as bases for their navy. The Papal States were drawn into the struggle. Pope Clement VII fought first for Charles and then for Francis. Whereupon Charles, the defender of Christendom against the Turks, captured and looted Rome, the city of St. Peter. Even a Pope could not be depended upon as an ally, and Christian soldiers sacked with equal zest Rome or Tunis.

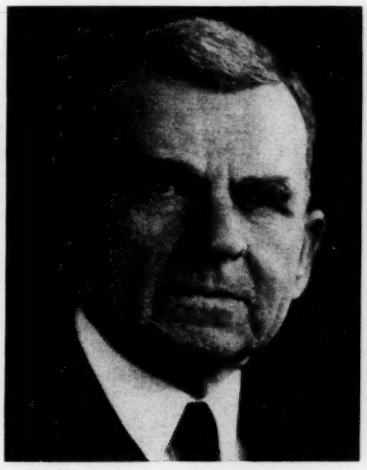
Alliances in the dynastic, or succession, wars were equally unstable. Kaleidescopic changes were made on all sides as monarchs fought to secure the succession of a particular royal house. The War of the Spanish Succession was fought to prevent the union of France and Spain under the Bourbons. Sweden, England and the Netherlands joined to resist this concentration of power, with William III of Orange, ruler of both Holland and England, heading the coalition. After William's death, Queen Anne of England suddenly deserted her allies and signed a secret peace treaty with France.

The Queen's decision was sound. English interests demanded peace. But the hasty recall of British troops left the Netherlanders exposed to the Army of France.

In some respects, the career of William III suggests those of Presidents Wilson and F. D. Roosevelt. William consumed the resources and neglected the interests of his own country to protect Western Europe from Louis XIV. A soldier-king, intent on winning campaigns ashore, he neglected his Navy, which had won independence for the Netherlands. His policy preserved Western Europe, but left his own country a second-rate nation.

Similarly, the zeal of Presidents Wilson and F. D. Roosevelt for international associations caused them to lose sight of their primary responsibility, that of safeguarding the interests of the United States.

The United States, in its earlier days, showed a different attitude toward international alliances. When the American colonists revolted, one of their first measures was to obtain the aid of France. They were aware of the traditional Anglo-French rivalry and shrewdly resolved to profit by it.



CAPTAIN PULESTON

American envoys had agreed with France not to make a separate peace with England. But, during peace negotiations, American envoys discovered that their French allies were opposing some of their territorial demands. Whereupon, the U. S. made a separate settlement with England. Technically, the United States was the first to breach the treaty.

Again, in 1793, when the treaty with France was still in effect, France wanted to equip privateers in American ports. American privateers had been equipped in French ports during the American Revolution, and the treaty provided for similar privileges for the French.

Washington, however, knew that if this privilege were granted France, the young American republic would be drawn into a war with England, for which the U. S. was not prepared. So he refused the French request. Again our Government, strictly speaking, violated the treaty with France—to protect this country's own interest.

Guided by Washington's maxim, the United States then avoided all entangling alliances during the next century while ruthless diplomatic maneuvering continued in Europe.

The nineteenth century was a century of alliances, some useful, some good, some brutal—but all cemented by a temporary coincidence of mutual interest.

The great powers of Europe, using two diplomatic devices—the balance of power and the concert of powers—prevented three major wars, the Crimean, Franco-Prussian and Russo-Japanese, from widening into global wars. They halted the advance of Russia into the Balkans; reunited Italy and Germany; restrained Germany from a second attack on France; partitioned Africa; established spheres of influence in China and modernized the backward nations of the world.

Then, early in the twentieth century, Russia's defeat by

. . . "The whole record of diplomacy was one of duplicity"

Japan upset the balance of power in Europe. As Russia went down, Germany came up. And England, which had been playing with Germany against France, turned to France as an ally against the new Germany, which both had reason to fear.

In World War I, Austria and Germany would have defeated Russia, France and England if U. S. had not intervened. Our intervention not only defeated Germany, but also permitted the Communists to take over Imperial Russia.

Then, after 1918, Britain and France immediately resumed their old rivalry, which enabled Germany, assisted by loans from the U. S., to rehabilitate herself. Japan, dissatisfied with her share of World War I spoils and anxious to find room for her industrious and martial people, invaded China in 1931.

Britain, which had aligned herself with Japan as against the U. S. in the Pacific, then had to switch back to siding with the U. S. when Japan became menacing to British interests.

The whole record of diplomacy, through all these eras, was one of duplicity. It was not considered bad form, in those past days, for a ruler or minister openly to work for the interests of his own country. In fact, that was what their people expected.

Little Basis for Optimism

An optimist will say that, while the conduct of nations in the past may have followed that vicious pattern, in the future it will be different. Actually, however, no two decades of history can present a more sordid, brutal pattern of alliances than those between 1935 and 1955. And today the only solution offered by leaders of the world's largest powers is a repetition of the same procedures. There is little evidence that human nature has changed for the better in the past 2,500 years.

Then what of the future? Is there any way of determining the durability of the present alliances of our own country—with West Germany? With Japan? With France? Britain? Turkey? And how about our regional associations such as NATO and SEATO?

In short, is there any way our country can really cement alliances that it has already contracted? Or will it be wiser to "travel alone"?

By retaining our present insular overseas bases in the Atlantic and Pacific, and reoccupying some that we too hastily turned over to the United Nations, we could, by increasing the range of our planes and the radius of action of our ships, defend the Western Hemisphere, the West Atlantic and most of the Pacific. If we withdraw behind our insular barriers, it would be a desperate nation that risked war with us.

This withdrawal may eventually be better than signing innumerable treaties with allies like Great Britain who have openly opposed our policies in the Far East and who support them very gingerly in Europe.

Before taking this drastic measure we should let our allies know that, if they continue to find reasons for not supporting us, we will not support them. If they were told that our diplomats were thinking first of the United States, their respect for us would increase. If, on the other hand, the United States continues to play the role of Lady Bountiful, they will continue to take advantage of us.

The acid test to apply to all our alliances is this: Are the terms of the alliance still mutually advantageous? If conditions have so changed that the interests of nominal allies no longer coincide, and the trend cannot be reversed, the alliance will soon break up.

Successful alliances are built upon fear, fear of a common enemy. Once that common fear is dispelled, no amount of negotiation can preserve such an alliance unless a new and greater menace appears that compels another temporary union. Forced alliances cannot be relied upon. Soldiers supplied by a reluctant ally have never been willing to die for a foreign country.

The late Soviet Premier, Joseph Stalin, recognized this fact. In 1941, Stalin told Harry Hopkins that in estimating the strength of the Nazi armies he only counted the German divisions; he knew those of satellite nations would not fight. And, if Stalin's successors are as shrewd as he was, they will place little dependence in their satellite divisions of 1955.

To determine the confidence that we can place in America's present allies, we should apply the test of mutual advantage. Unless it can be demonstrated that an ally has more to gain than to lose by fighting on our side, we should not count too heavily upon help from that ally.

Conversely, we should look at our alliances from the other viewpoint: What have we to gain by assisting an ally? A most delicate question concerning alliances is: How much should one ally suffer to protect another?

The United States was drawn into World War II before it was prepared—and suffered disastrous losses at Pearl Harbor—because of our efforts to help Great Britain and China. Our military services wanted to keep out of the war until we were ready. But our political leaders thought that they had to sustain Great Britain at all costs, and tried to provoke our involvement on the theory that American people would not put out the necessary effort until we were actually at war.

In World War II, France undoubtedly gave up too soon. She sacrificed 1.5 million young French soldiers to save Paris from air bombardment, and left her ally, Great Britain, in grave danger. But, in World War I, Czar Nicholas might have preserved his throne and saved his country from Communism had he been willing to make a separate peace with Germany when the German Chancellor and President Wilson made proposals for peace in December, 1916.

Alliances which this country finds to be costing more than they are worth, or which threaten to involve us in conflicts that are not to our advantage, should be dropped, cold-bloodedly. A government of a nation has no right whatsoever to put the interest of another nation ahead of its own.

Testing the Present Line-Up

If the test of mutual advantage were applied to our present allies, Canada and the other American republics would rank first in dependability. For, under present conditions, the necessity of providing for common defense against modern weapons compels these nations to stand together with the United States.

Our alliance with other American republics is a development of the Monroe Doctrine. It has endured because it is still mutually advantageous and, furthermore, because the United States has scrupulously refrained from attempting to dominate these proud, independent states.

Even so, on numerous occasions when minor differences arose our Latin neighbors have not hesitated to look out for their own interests first. For this they cannot be blamed. The primary purpose of any independent state is to protect its citizens, their homeland and their interests overseas. It would have been better for the United States if its leaders had kept this fundamental principle in mind during the twentieth century.

In a computation of our allies' dependability, Australia, New Zealand, the Philippines and the Netherlands East Indies

. . . "European nations and Japan have bad records as allies"

would rank next after the other American republics for the same reason—mutual advantage.

As against the Soviets, we could depend upon Spain for ideological reasons; also, at present, upon Turkey and Pakistan because they know that Russia has designs on their territory and the U. S. has not. Those three countries are in a position to help us and, in the past, their people have shown a willingness to fight any invader.

The dependability of Great Britain and Japan as allies is the hardest to evaluate. By tradition, blood and language, the United Kingdom should be our most dependable ally. But it is a commercial nation whose prosperity depends upon world trade. It already has recognized Red China and is putting pressure upon us to do the same.

Members of Britain's House of Commons have warned the United States that Britain must trade with Red China to survive.

In World War I, the British Government did little to suppress trade by any of the Scandinavian countries with Germany until President Wilson insisted upon it. During World War II, it was impossible to get the British Government to restrict Swedish trade with the Nazis, largely because the British looked beyond the war to trade relations with Sweden.

Trade vs. Alliances

Japan is equally dependent upon trade with China and East Asia. No matter what other factors influence their policies, insular empires dependent upon overseas commerce must trade or starve. And unless the United States and other members of NATO and SEATO provide Britain and Japan with a sufficient volume of trade, they will become less and less dependable as allies.

Western Germany already has made a remarkable economic recovery. At present she is dependable. But Russia could offer West Germany union with East Germany. Any German government with an eye single to the interests of the future of the German people would find that offer—if it could be trusted—hard to resist.

Under the leadership of Bismarck, Germany never forgot the power of Russia. Bismarck informed Britain's Lord Salisbury that Germany's policy required her to fight for the independence of Austria if threatened by Russia or to assist Italy or England if threatened by France. But he at the same time told Russia he would give her a free hand in dealing with Turkey if Russia would stand aside while he made a second war on France.

Today there is every reason to believe that, when the great majority of Germans recall the days before Bismarck united the German people, and compare those days with the times they enjoyed under the Hohenzollern dynasty, they will do their utmost to bring about an all-German reunion.

Historically, all the European nations and Japan have bad records as allies. Great Britain has probably the best, but she deserted the Netherlands in 1713, and in 1760 she failed to keep her engagements with Frederick the Great.

It is hard to conjecture what any ally would do in a future war. But it can be assumed that any ally will think first of its own interest. And the United States should do the same. The United States used to do this. But during this century American leaders seem to think they must apologize every time it appears that they are looking out for their country. It is time that the U. S. went back to protecting its own interests—and not apologize for it.

In guarding the interest of their own country, diplomats and leaders can look only a short period ahead. They can't plan for a century—at most for a decade. But the time to start thinking of the early future is now. American alliances and policies must be examined with an eye to what this country might reasonably expect to profit—or lose—from them if they were put to the test in the next few years.

NATO must be recognized as a most artificial union, held together only by a mutual fear of Russia. If Germany is put back together again, Russia will be pushed back a long way from the Rhine. And what then?

France fears Germany more than anyone else. With Russia pushed back eastward and a powerful new Germany rising between France and Russia, would France then ally with Russia against Germany?

Assuming that we succeed in our present policy of re-establishing Germany and Japan, then, after two world wars, we shall have arrived right back at the position we were in about 1906 when we were threatened by Japan in the Far East and by Germany in the Caribbean.

Japan and Germany are so much better than Russia or France, industrially and militarily, and their national cohesion is so much greater that, given any reasonable chance, they will revive to the point where they not only can look out for themselves, but can also be a menace to us.

Then the main concern of the United States will be to see that they don't get together again and tackle us.

The most hopeful factor at present is that Russia confronts an almost impossible dilemma. If she reunites Germany, in a few years Germany will be the same menace to Russia that she was in 1941. In the meanwhile, Japan, if she is rehabilitated by U. S. help, will be seeking to regain her position in Korea and Manchuria.

A likely cause of the next war could be a struggle involving a reunited Germany and a rehabilitated Japan against Russia, and perhaps France.

In sizing up the threats to America, China can be discounted heavily. China is too backward, too poor to wage alone a modern war.

One thing of which history should convince Americans is this: The idea that there will be no more wars because modern weapons have become too horribly destructive is absurd. Weapons have been getting rapidly more horrible ever since 1900. Yet, in that period the world has had more and bigger wars than before.

In a certain sense, the rapid recurrence of wars is not entirely the fault of the world's rulers. Our leaders have made the cycle between wars shorter by their mistakes. But all coalition wars that we know anything about in history have contained within themselves the seeds of the next war. Each war leaves some nations dissatisfied, and they renew the struggle.

When to Make War—and Peace

That is the reason why the most foolish slogan of all is to urge "a war to end all wars." A war should be fought only for the interest of your own nation—and it should be won at the least possible cost in your own men and money. Then a moderate peace should be made, leaving as little just cause for another war as possible. Even then, events soon enough will create situations which cause enterprising nations to seek to expand, and this will bring on another series of wars.

What America must do is to recognize the facts of history and start getting ready for the next war by beginning to look out for its own interests now.

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NEWS-LINES

WHAT YOU AS A BUSINESSMAN ☑ CAN and ☒ CANNOT DO

as a result of recent court and administrative decisions

☑ **YOU CAN,** as an employer under the Wage-Hour Act, refuse to include in your employes' ***working time*** the periods they spend in washing up and changing clothes after work if these activities are for the employes' convenience, are not required by you and are not necessary for the performance of their regular work. A federal appeals court, sustaining a district court, rules against the Secretary of Labor.

* * *

☑ **YOU CAN** expect heavier penalties for ***antitrust violations*** in the future. The President signs bills raising the maximum fine for violation of the Sherman Act to $50,000—from $5,000 in the past—permitting Government to sue for actual damages and establishing a uniform four-year statute of limitations for antitrust suits.

* * *

☑ **YOU CAN,** as a ***defense contractor,*** make use of new rules for proceedings before the Armed Services Board of Contract Appeals. New procedures, now in effect, provide for prehearing conferences to simplify and settle as many issues as possible, and call for as much informality as is feasible at the main hearings.

* * *

☑ **YOU CAN,** as an employer, deduct for tax purposes amounts paid for a limited number of months to the widow of a retired employe under contract with that employe, where such benefits are in an amount equal to the employe's ***pension*** and are limited to a maximum amount per month, and where the employe had no claim to those payments while he lived. Internal Revenue Service rules that such payments qualify as pensions paid under a deferred-compensation plan and are deductible.

* * *

☑ **YOU CAN,** in figuring your income tax, deduct the loss of an item that has disappeared from your possession under circumstances that indicate ***theft,*** if evidence to the contrary is lacking. The Tax Court holds that, "if the reasonable inferences from the evidence point to theft," the taxpayer is entitled to such deduction.

☒ **YOU CANNOT** deduct as ordinary and necessary expenses of ***maintenance*** the costs of rehabilitating, restoring and improving an old building where the building already has lost its usefulness through extreme deterioration. The Tax Court holds that where a building's useful life had all but ended, such expenditures gave the building new useful life and, thus, for tax purposes, must be spread over the useful life of the restored building.

* * *

☒ **YOU CANNOT** always claim exemption from the ***Wage-Hour Act*** for employes producing goods for interstate shipment on the ground that the goods are produced under a single contract and therefore constitute an isolated case outside the usual and ordinary course of your business. A federal appeals court rules that, where shipments on such a single contract were made almost weekly over a three-month period, and the amounts of money and work involved were relatively large, the work was in the ordinary course of the company's business, and therefore not exempt.

* * *

☒ **YOU CANNOT** safely discharge an employe for cursing a foreman if the employe has been active in helping to organize the plant and your employes have been threatened with discharge if they engage in such activity. National Labor Relations Board rules that, under these circumstances, such a discharge actually was for union activities.

* * *

☒ **YOU CANNOT,** as an investment banker or dealer in ***securities,*** participate in any one of a number of activities now banned in connection with the flotation of securities. The Securities and Exchange Commission adopts new rules designed to prevent the manipulation of securities prices by persons participating in a flotation.

* * *

☒ **YOU CANNOT,** in starting a new business, deduct as ordinary and necessary operating expenses the costs you incur in search for a business site, in promoting the business you seek to establish, or in acquiring the lease on property. Internal Revenue Service rules that these are capital outlays and must be amortized in figuring your tax.

Conclusions expressed in these paragraphs are based upon decisions and rulings of courts and Government bureaus. In making their decisions, courts and bureaus consider many facts which, for reasons of space, cannot be set forth in detail. U. S. NEWS & WORLD REPORT, *on written request, will refer interested readers to sources of this basic material.*

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WHERE TAXES HIT HARDEST

Load Varies Widely From State to State

Size of your tax load—federal, State and local—depends on the State you live in.

In some States, people pay heavy federal taxes in relation to income. In other States, it's State and local taxes that are high. In some, it's both.

That's the picture offered by new official estimates, issued by a study commission.

An old, often-asked question—what areas of U. S. are hit hardest by taxes—gets some answers in a new official report.

Extremely wide variations in tax loads—shown as a per cent of total individual incomes—are revealed by the Commission on Intergovernmental Relations.

Federal taxes amount to 20 per cent of income payments, or less, in some States, and up to 35 or 40 per cent, or more, in others. State and local taxes combined add up to as little as 4.5 per cent of income at one extreme, and to 11.1 per cent at the other.

What you find in the chart on page 109 is that the federal burden, geared largely to graduated income taxes, lies heaviest on States with relatively high incomes. They pay the largest percentage of income to the U. S. Treasury. There are interesting exceptions, however. Nevada, second for per capita income payments, has a smaller-than-average federal tax load in relation to income. So do New Jersey and Ohio.

State and local tax burdens, on the other hand, tend to be heaviest in those States with lower incomes. It's these States that find it hardest to scrape up the revenue to pay for government services—schools, highways, hospitals and the like. The wealthier States manage to offer services without taking such large percentage bites out of incomes.

Yet there are exceptions here, too. Massachusetts, California and New York—among the highest-income States—take relatively large chunks of income for State and local-government programs. Virginia, a relatively low-income State, has one of the lightest State-local tax loads, even in relation to income. Kentucky, too, falls into this latter category.

On the average, you find, State and local taxes come to 7.9 per cent of income payments—or did in the latest year reported, ended June 30, 1953. Federal taxes of all kinds amount to 26.5 per cent of income payments. "Income payments" here means income received by individuals only—it's smaller than "personal income" used in the national income tables of the Department of Commerce.

You get, in the chart, the picture showing where taxes are largest in relation to income, and where they are smallest.

Whatever taxes are related to, the federal "take" is far greater than the combined State-local levy—more than four times as high in the year ending in mid-1953. Since then, however, there have been some important changes. Federal taxes have been marked down substantially, while State and local levies have been increasing steadily.

Sales taxes. Big increases, and additions, still are occurring in State and local taxes on sales—general sales taxes and specific excises.

Already, at least 32 States impose general sales taxes, or the equivalent. The sales tax now is easily the States' biggest revenue raiser, accounting for nearly 1 dollar out of every 4 collected by the States. With the specific excises added, States are depending on these taxes on sales for more than half of all their tax revenues.

Cities and counties, too, have discovered the cash potentials of sales taxes. Already, these levies are the most important local tax source, except for property taxes. General sales taxes levied by local governments are widespread in California, where more than 150 cities use them, and are imposed by some cities in Alabama, Mississippi, New York, Colorado, Louisiana and Virginia.

The "selective" variety of sales taxes, levied on sales of cigarettes, beer, liquor, gasoline and admissions, also is becoming more and more important to local governments. Already, local taxes are levied on cigarettes in 11 States, particularly in Alabama, Florida and Missouri. In Minnesota, 360 localities run liquor dispensaries for the profit involved.

New, or increased, taxes on sales are occurring at State and local levels at a great rate. In Nevada, residents—and tourists—are just starting to pay a new general sales tax of 2 per cent. Mississippi, South Dakota, Tennessee and Washington State have just boosted their sales taxes—to 3½ per cent in Washington.

State cigarette taxes have just been raised in South Dakota, Alabama, Idaho, Wisconsin, Washington, Georgia, Maine, Mississippi and New Mexico—to 5 cents a package in the last four of those States.

Motorists—residents and visitors—will pay higher gasoline taxes this year in 13 States. Highest gas tax—7 cents a gallon—is found in Alabama, Florida, Kentucky, Louisiana, Maine, Mississippi, Montana, North Carolina, South Carolina and Tennessee.

Even without these recent boosts, taxes on sales have been accounting for 3, or even 4, dollars out of 5 collected in taxes by some States—notably Alabama, Arkansas, California, Florida, Georgia, Illinois, Indiana, Michigan, Missouri, New Mexico, Ohio, South Dakota, Tennessee, Washington and West Virginia.

Income taxes. Taxes on incomes of individuals and corporations are the other big pipeline through

VACATION BY AUTO
. . . higher taxes on gas in 13 States

which States draw in their revenues. With at least 31 States taxing individual incomes, States now draw more than 9 per cent of their revenue from this source. At least 30 States tax corporation income, and nearly 8 per cent of State tax revenue comes from this source.

Highest State taxes on incomes of individuals are in Colorado and Minnesota –up to 10 per cent–and in North Dakota–up to 11 per cent.

Many local governments also tax people's incomes, particularly in about 280 Pennsylvania cities, boroughs and school districts, and in some cities of Ohio and Kentucky.

It is the Federal Government, however, that relies most heavily on income taxes. Federal taxes on incomes of individuals and corporations, in fact, account for more than 4 dollars in every 5 in U. S. budget receipts.

The payoff. What the States get back for their federal taxes–in the way of federal grants–also is shown by the Commission. In general, the flow of grants is the reverse of the tax flow.

The 12 highest-income States pay a bit more than 55 per cent of all federal taxes. They get back 38 per cent of the total of federal grants. These are, in order of income: Delaware, Nevada, Connecticut, New York, Illinois, New Jersey, California, Ohio, Michigan, Washington, Maryland and Massachusetts.

The 12 lowest-income States contribute just over 10 per cent of all federal taxes. In return, they get back 23 per cent of the grants. These States are South Dakota, North Dakota, West Virginia, Louisiana, Georgia, Tennessee, Kentucky, South Carolina, North Carolina, Alabama, Arkansas and Mississippi.

The 12 medium-high-income States, meanwhile, pay nearly 20 per cent of the federal taxes and get back 18 per cent of the grants. The 12 medium-low-income States contribute nearly 14 per cent of the taxes and get 20 per cent of the grants.

There are some exceptions to these patterns. Virginia and North Carolina, for examples, are relatively low-income States that do not stand high on the grant-in-aid list–in part because they fall far short of matching the federal funds available for aid to the aged.

Some Western States with incomes close to average, or above, rank high in the list of grants–Nevada, Colorado, Wyoming and Montana for examples.

All States, of course, get back federal money in forms other than grants–money spent on salaries of Government employes and on billions of dollars a year in Government contracts. Generally, the higher-income industrial States

(Continued on page 110)

Here Is the Tax Burden in U. S.

Taxes (all kinds) as a per cent of income payments to individuals —

	FEDERAL	STATE & LOCAL	TOTAL
NORTHEAST			
Connecticut	31.2	6.6	37.8
Maine	24.8	9.5	34.3
Massachusetts	28.6	9.2	37.8
New Hampshire	27.0	8.3	35.3
New Jersey	26.1	7.0	33.1
New York	30.2	8.9	39.1
Pennsylvania	27.2	6.4	33.6
Rhode Island	28.4	7.6	36.0
Vermont	24.3	9.9	34.2
NORTH CENTRAL			
Illinois	28.6	6.7	35.3
Indiana	24.0	7.4	31.4
Iowa	23.5	9.6	33.1
Kansas	23.7	9.1	32.8
Michigan	26.6	7.7	34.3
Minnesota	25.6	10.0	35.6
Missouri	26.7	6.4	33.1
Nebraska	25.5	7.9	33.4
North Dakota	23.0	11.1	34.1
Ohio	26.4	6.0	32.4
South Dakota	21.3	10.8	32.1
Wisconsin	26.3	9.3	35.6
SOUTH ATLANTIC			
Delaware	41.5	4.5	46.0
Florida	26.4	10.1	36.5
Georgia	22.4	8.2	30.6
Maryland	28.7	6.7	35.4
North Carolina	22.2	8.8	31.0
South Carolina	19.6	9.1	28.7
Virginia	23.1	6.6	29.7
West Virginia	22.1	7.1	29.2
SOUTH CENTRAL			
Alabama	21.4	7.3	28.7
Arkansas	20.3	8.0	28.3
Kentucky	22.5	6.8	29.3
Louisiana	22.8	10.8	33.6
Mississippi	19.1	9.8	28.9
Oklahoma	23.7	9.6	33.3
Tennessee	22.9	7.6	30.5
Texas	25.7	7.1	32.8
MOUNTAIN			
Arizona	23.2	9.0	32.2
Colorado	27.7	9.4	37.1
Idaho	24.6	9.4	34.0
Montana	23.8	8.0	31.8
Nevada	26.1	8.1	34.2
New Mexico	22.8	8.9	31.7
Utah	22.9	8.7	31.6
Wyoming	28.3	9.5	37.8
PACIFIC			
California	26.9	9.0	35.9
Oregon	26.6	8.8	35.4
Washington	26.5	8.5	35.0
UNITED STATES	26.5	7.9	34.4

Source: Commission on Intergovernmental Relations

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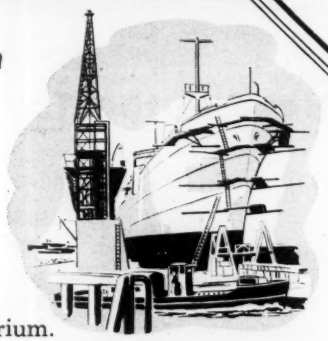
Business with

Denmark



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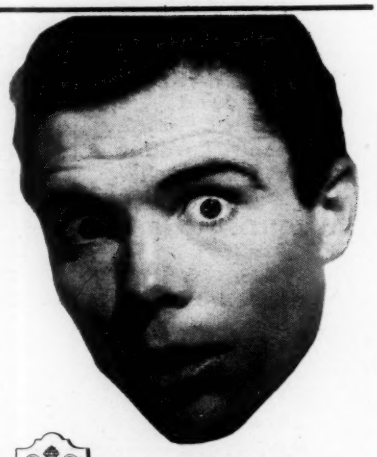

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. . . Richer States get top share of federal grants

get the bigger share of this outflow of federal funds. Grants accounted for by the Commission, moreover, are only the ones going to States; other grant money goes directly to individuals—to veterans, farmers, others.

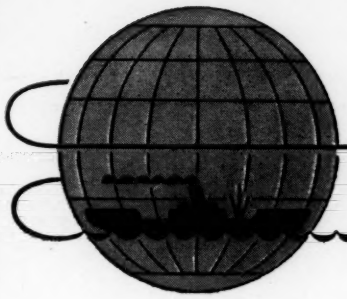
Still, the picture shown by the Commission is one of extremely wide variations in tax loads—and no less wide differences in the federal largess that comes in the form of State grants.

› Savings bonds. People still are investing heavily in U. S. savings bonds, and they are hanging on to those investments. A six-month report, just in, shows sales of E and H bonds totaling 2.9 million dollars, up 13 per cent over sales in the first half of 1954. Bonds cashed during the 1955 period totaled 2.4 million. So net sales came to almost exactly half a billion dollars.

Cash-ins this year have been less than 5 per cent larger than in the first half of 1954, despite the fact that the total of bonds outstanding has risen sharply, and that more and more of those bonds are maturing. People now own 39.3 billion dollars' worth of E and H bonds—a third of this total already matured and still held.

› Tax speed-up. A sharp drop in corporations' holdings of cash and Government securities, just reported for the first quarter of 1955, shows the effect that the tax speed-up is having on cash positions. Corporations are being required to shift over to something like a pay-as-you-go basis for taxes, settling up earlier. In the first quarter of this year, as a result, their federal income tax liabilities dropped by 2.2 billion dollars. But the earlier payments left corporations with 1.6 billion less in cash and Government securities. What's illustrated is the prospect that, as the shift in tax payments continues, cash is going to become more and more a concern for some corporations.

› Gold standard. A return by the U. S. to the "gold-coin standard," a move vigorously supported by many economists—and just as vigorously opposed by others—is not to be regarded as a step toward Utopia in monetary affairs, in the view of the National Association of Manufacturers. Most important condition for the proper functioning of a money system, says the NAM, is "public confidence in the money." History, says the NAM, does not support the view that a resumption of coinage and circulation of gold would assure confidence in money or "popular control of the public purse."



Business Around the World

LONDON • ROME • ZURICH

>> On July 18, coal prices in Britain were boosted 18 per cent. It's by far the largest increase in the history of the industry. And it's causing by far the most squawking among the victims.

British life and industry are heavily dependent on coal. Nearly every householder burns coal in his grate. Most industries and utilities use coal.

So practically everybody's fuel bill is going up. And the effects will fan out to push up rates for electricity and gas, freight rates, the price of coke, steel and a thousand products.

Will there be more British coal available at these higher prices? Probably not. Most people expect coal output to fall further and further behind demand. The National Coal Board, running the nationalized coal industry, will show a smaller deficit at these higher prices--unless the miners get higher wages.

>> Dire things are predicted for Britain as a result of higher coal prices.

Industrialists are saying dearer coal will contribute to inflationary tendencies. Not only will many other prices be forced higher, but Britain's competitive position in export markets will be hurt. And that is a sensitive point.

Main competitors for world markets, such as Germany and the U. S., have been showing bigger export gains than Britain for many months past. That was true even before the rail and dock strikes affected British exports. With the export trend in mind, the Chancellor of the Exchequer warns that British productivity must be raised to offset increasing wages and material costs.

Immediate response from the railroad workers is that they must have more pay and shorter hours. The railroads are already showing quite a deficit.

Chances are that labor is going to make a lot more noise about pay. There are many more jobs than workers in Britain today.

Also, more goods are coming within reach of workers. And they are reaching. Time buying of cars continues to increase, despite stiffer credit terms.

The Government may be forced to drastic credit moves to keep the home market from absorbing what should be export products.

>> The more you look around Europe, the more you realize that the workers are almost sure to be getting a bigger piece of the prosperity pie.

Labor shortages are prevalent. You find them not only in Britain, but in Germany, the Netherlands, Switzerland and, to some extent, France.

The feeling right along has been that Italy's millions of unemployed could be tapped to fill out laboring ranks in Western Europe. Indeed, Italians are being used in several countries--but in small numbers.

Fact is, skilled Italians are being absorbed increasingly into their

(over)

own factories in Northern and Central Italy. Yet it's skilled workers who are now needed in neighboring countries. The unskilled Italians, mainly from Southern Italy and Sicily, aren't really wanted so badly.

So the Italian safety valve for European manpower demand is stuck.

>> Under these circumstances, it will be strange if Europe's workers don't start getting puffed up. Chances are they will get increasingly choosy about jobs, pay, hours, working conditions, "fringe" benefits, etc.

Unions, noticeably unmilitant on the Continent in recent years, already see that their chance is coming again.

Industrialists in Europe, feeling real prosperity for the first time in decades, probably won't quibble too much about labor's demands.

Sounds like the U.S., doesn't it? Well, it's much the same sort of situation. Nobody wants to jar prosperity too much. It's easier to follow the path of least resistance. Result to be expected: inflation. . . . the gradual type.

Better to have creeping inflation and prosperity than a bust-up. That's the going mood in both the U.S. and Europe.

>> With all this talk about a reunified Germany, Swiss analysts are beginning to go into the possible economic effects. The Swiss are forehanded on something like this, since they have large interests in Germany. Swiss ideas, based on talks with German industrialists, take this shape:

German reunification would mean large-scale shipments of consumer goods to Eastern Germany--food, clothing, the necessities of life. Cost of such shipments might run up to 2 billion dollars. That would be quite a burden for the West Germans to assume. Maybe the U.S. would help out with surpluses.

East German industry is undoubtedly badly run down, in need of major rehabilitation. Much new machinery, restocking, retraining of demoralized personnel will be necessary. Cost? More billions.

Rearmament, plus rebuilding East German plants, plus expanding export and home demand, adds up to quite a strain on West German industry.

Another thing, some German industrialists don't care for the idea of modernizing East German plants while their own factories get along with makeshift machinery. The element of competition enters into this thinking.

The East German mark is not backed by anything solid like the large gold and foreign-exchange cover for the Deutschemark. If the two regions were reunited, the East German mark would be absorbed, the circulation of the Deutschemark would be heavily increased, but its backing would not gain.

The Swiss thus find that, from a practical standpoint, there are sizable economic hurdles to be faced in any move toward reunification. The Germans apparently aren't overcome with pure joy at the thought of having their brothers to the east back under the same roof.

>> Two-way trend in commodity prices upsets the theory that there's a general boom throughout the free world. Metals, minerals, rubber, most industrial materials are firm or moving up in price. Agricultural commodities, for the most part, have been weak. Consequence: most mining and oil countries continue to be good markets for U.S. and European exporters. But it's a different story in farming countries such as Brazil, Argentina, Australia. Canada and Mexico, exporting both kinds of commodities, are having a pretty good year.

TURNCOAT GI's TELL STORY OF RED CHINA

[Continued from page 26]

Cowart: I went to one of the local police stations. Went there with friend of mine to retrieve some goods that had been confiscated. Just from that short stay, I learned concretely what their method of education was.

They sit people in room—about 30 or 40 people in room about size of this hotel bedroom. They sit them in room on floor cross-legged. And they sit there for 12 hours a day. They sit there to consider their mistakes. And they sit there, believe you me. They can't get up. They can't lie down. They just sit there. I saw and I heard them moaning and screaming and carrying on.

You know, I've talked to people who have sat for four to six years in prison. One man, when he came out he was nothing but a bag of bones. He was there since liberation. And that's the type of life they live if they make just one mistake.

Q: What type of farm were you on?

Cowart: State farm.

Q: Was it mechanized?

Cowart: Well, the farm was about 1,500 acres, and it had about 35 tractors.

Q: How many workers were there?

Cowart: Nine hundred sixty-five, all of them Chinese except us.

Q: How did the Chinese get there—were they hired or what?

Cowart: Some was due to the fact that the men were there before. But the majority on state farms were sent there for educational purposes. Not to learn farming, but ideology. They put them through the hardest possible conditions—not exactly form of punishment, but form of education according to their standards.

Q: Were they young people?

Cowart: Yes, mostly young people, but a few middle-age.

Q: Were there any girls there?

Cowart: Very few. There were two women who worked in the same area as we worked. One of them was married to a Communist Party secretary, and the other was married to the president of a factory. No other women was there—no other women whatsoever.

BOY MEETS GIRL? NOT IN CHINA—

Q: Didn't the Chinese resent not having families with them or not being able to marry?

Cowart: The Chinese are simple-minded. Narrow-minded. Organization tells them: "When you reach certain technical level and you can support a wife, we'll get you a wife." They told us that.

Q: You mean they offered to help you get married?

Cowart: They said, "When you reach a certain technical level and ideological level, then we will help you get a wife."

Griggs: They used to tell me that myself, and I thought, "I'd be in a hell of a fix if I got one of them women." The majority of the women in China are so scared they're just like a bunch of machines. I wouldn't want one—I couldn't afford to have a wife like that.

Q: What did you do when you reached the state farm?

Cowart: They put us to repair tractors. I'd never worked on a tractor before in my life.

Q: Had you ever seen a tractor before?

Cowart: I'd seen them, but never close up.

Q: If you couldn't repair tractors, what did you do?

Cowart: We repaired tractors. We learned. I can do it now, after seven months.

Q: How did they maintain and run equipment?

Cowart: All of their tractors were either Russian or American, and they messed over them. When they need repairs, they leave them sitting in fields weeks and months. Sometimes up to eight and 10 months. Wheels rot right off of them. Parts rust. Then they bring them in and say, "Repair them." Then they run them only for a few months before they're broken down again. They don't know how to run their tractors. They don't know how to repair them.

Q: Did you live in special quarters or just as the Chinese did?

Cowart: Well, we lived just as the Chinese did, although part of the time we were in isolation. We were separated from the common people. But eventually the common people moved in with us.

WHAT THE FOOD WAS LIKE—

Q: You ate the same food as the Chinese?

Cowart: They fed us the same things. Actually there was no shortage. It was the type of food, kind of thing that at home I wouldn't even feed to my dog. Believe me, I wouldn't.

Q: But by Chinese standards?

Cowart: By Chinese standards, it would be—about average.

Q: What did you have for breakfast?

Cowart: We'd have what they call *man t'ou* [steamed bread] but not with just flour—with another grain mixed with it—millet. That would be bread. Then for side dish, we'd have some kind of greens.

Q: Pickled greens?

Cowart: No, it wouldn't be pickled. It probably would be fried or boiled. Of course we had to pay for it. Sometimes we had meat, if we could afford it. But most of the time we couldn't afford it.

Q: You had to buy your own food? How much were you paid?

Cowart: I was what you called a third-grade apprentice.

Q: You mean you were at the bottom of the ladder?

Cowart: No, no, I was at the top of the apprentice ladder. And I received 320,000 *jen min piao* per month, which was the equivalent of about $12 American a month. Prices were just about the same there as they are in the States as far as food is concerned—about the same. It cost me half of my pay to eat. It cost one third of my money to buy cigarettes. And with what was left—a few odd thousand—I had to buy clothing and daily necessities like toothbrush, soap, anything of that nature.

Q: Where did you buy these things?

Cowart: At state co-operatives.

(Continued on next page)

. . . "Peking is practically run by the Russians"

Q: Communists claimed you were given subsidies in addition to your salaries.

Cowart: That was included in the 320,000.

Q: What did the Chinese farmer on the state farm earn?

Cowart: It ranged according to his technical level, as they called it. An ordinary farmer gets between 150,000 to 200,000.

Q: Did you live in dormitories?

Cowart: It was just a barn.

Q: How many of you were living together?

Cowart: There were 11 of us in a room.

Bell: About those letters saying we got good treatment—some letters go through and some you don't see. If you write something the Communists don't like, they cut it out. They destroy it. They either burn it or put it in file clerkings or do something with it. But, if you write a simple letter saying conditions are good, they'll let it through.

I wrote letters to my wife, fingerprinted envelopes and put on it "Good old U. S. A." I know they didn't get through. So I just write her saying, "Don't worry about me because I'm in good health." It's the same with the other guys. You can't leave your families with a lot of worry.

WHERE REDS ARE BUILDING—

Q: What were your impressions of the country itself? Did you get the feeling the Communists are building up the place, that they are modernizing it?

Cowart: In the economic sense, they are doing something to build the place up. They've got about four main points they're working on.

Q: What are they?

Cowart: The Anshan steel mills—that's one. The residential areas—the big cities—Peking, Harbin, Shanghai and places like that—they're building up the residential areas. And then schools—they're doing quite a bit on schools. But, believe me, schools are for nothing but Communism. Nothing at all. Then the roads. Roads are in terrible shape and they're doing something to fix the roads up. This hydroelectric deal—they're building up on that also.

But the thing is, they're only doing such a little on those things. They're putting most of their money in armed forces. They actually tell the people, "We've got to build up our armed forces to keep America from attacking China."

Three fourths of the population are, if not military, then at least under military—at least under military jurisdiction. That includes their public security, their secret police, their people's militia, their Red Cross, their trade-unions—all those come under military jurisdiction.

Q: Now, a little while ago you mentioned that the people in China are dissatisfied. Where did you get this feeling that there was dissatisfaction?

Cowart: Amongst the people. I speak Chinese quite fluently and I talked to quite a few people—and especially the farmers. There were quite a few farmers that were Chinese Nationalists there. And then some people from Shanghai—the cultured areas, you see—believe me, they hate that place.

Bell: Well, the first impression I got—I talked to people—of course, my Chinese is not too good—but they tell me about the past of China, you see. And then they tell me about the present situation in China. They tell what they honestly hold, you see. They don't have any freedom.

You know they won't tell their leadership. But they'll tell you because they figure you will not tell the leadership. So they'll tell you the strain they're under. They work all day. When they get off work, they go into meetings. In meetings there'll be the ideological reformation or indoctrination or something. Or criticism—what they call criticism. That's what they fear most. When a guy goes up for criticism, he's finished.

Q: Do you mean public criticism, or criticism in the places where they work?

Bell: Oh, in the section where they work.

Q: The other workers are called on to criticize them?

Bell: Yes.

Cowart: You see, that's the way they work this whole thing. The whole thing is built on fear—fear of each other. You can't find a group of men who can sit around and talk to each other freely, you see. To give you an example: For instance, say we were in Communist China and we were all undergoing their process, you see. I'm afraid to say what I think. Truly. Because I know this—that each one of you is listening and thinking, "Now, if I don't tell what he said, then somebody's going to find out I didn't tell it and then naturally I'm going to get it." You see?

So naturally, if you say anything that doesn't correspond to their principles, then every single man amongst them is going to jump up, you see. And it doesn't end there. See, each point adds up. And when they get so many points against you, then they throw you underneath. And that's all there is to it. There's no other way out.

CHINA ON DOWNGRADE—

Q: Did you have the feeling that this was one of the main reasons for so much dissatisfaction?

Cowart: No. I think the main reason in China—not in the Soviet Union and other places, but in China—the main reason for dissatisfaction is this: That China, instead of going from bad to good, it's going from good to bad—in atmosphere, not in material things. In material things, they're gaining, in food and clothing. But the atmosphere is much worse now, even among the peasantry and especially in the bigger cities, you see.

They can't even dance now. They can't. They have to dance in underneath organizations. They can't open a dance hall in any city in China, see. Or they can't open a club. You can't open any kind of a club in China without permission from the Government.

The peasants have it the worst. They have it much worse because their living conditions are terrible. The people who visit China don't see that. They always see Peking or maybe even a few of the farms—the better farms, where conditions are good.

Q: Did you find much resentment toward the Russians?

Cowart: Toward the Soviets, no.

Griggs: Actually, you might say they're anti anything that isn't Chinese. They hate the Japanese and they hate the Americans, except for the portions that sympathize with them.

Q: Did you run into many Russians?

Cowart: There's a place in Peking called Legation Street that is loaded with Russians. Peking is practically run by the Russians. And, as far as that goes, China itself is run by Russians.

. . . "We may go to prison. If we do, we deserve it"

Q: Would they talk to you?

Cowart: Some would and some wouldn't. If they knew who we were, they wouldn't.

Q: What was the Russians' attitude toward China? Did they consider it as an up-and-coming nation that would be of considerable importance to Russia?

Cowart: Actually, I would consider that they thought that China was what the Chinese called the American soldiers in Korea—cannon fodder. They want to pull China completely under their wing as a colony.

Q: Did the Chinese you saw always accept Russian advice or instructions?

Cowart: Yes. Russia is like the Bible is to us. China accepts Russia the way we accept the Bible.

WHY THEY STAYED—

Q: Cowart, and you, Griggs—how did you happen to join the Communists while in prison camp?

Cowart: I joined the Army when I was 15 years old. I was a child. I spent two days on the front line when I was captured, and I was still a child. After three years of prisoner-of-war camp, I was desperate for companionship. I didn't fit in with the so-called true American set.

I decided I didn't want to be repatriated, because I thought I'd be punished if I went back. At Sunganyl [special holding area for nonrepatriated prisoners], we were put under the charge of a Chinese commander and a Korean commander. They told us what to do, when to do it, and how to do it.

As far as saying that I stayed to be a peace fighter, I believe I said that and I believe I'll stand by that now, that I'm a peace fighter—though, at the time, I didn't know what the correct method was. At that time, I said what I was ordered to say.

Q: Who gave the orders?

Cowart: It came directly from Peking through Chinese Army to Communist correspondents named Winnington, Burchett [Wilfred Burchett, an Australian correspondent for a French Communist newspaper] and Li Ping. They wrote our statements to give to television, what to say to correspondents and to say nothing else. I never saw an American interrogation team.

Griggs: I got one point to make. Let other people judge for themselves. I was more or less convinced that Communism was right and honorable. On this point, the American Army—military services, especially the Army—should be severely—I might say what Communists say—criticized for and that is: I went through this course during basic training in service about Communism. But the point was, it didn't cover anything. You don't know what to expect. You expect to be tortured and killed. But, when you go across, the first thing they do, they run up to you and shake your hand and pat you on the back.

At this point, Griggs and Cowart went into a long, rambling explanation of how the Communists had prevented them from listening to United Nations appeals to all Allied prisoners to accept repatriation at the time of the Korean truce. Griggs said he was in a prisoner-of-war hospital recovering from an operation and under continuous Communist observation during the time Allied "explainers" were talking to the prisoners.

Cowart: Everyone knows—the guys back there in China, even the guys who've gone to the States—that they [the Communists] wouldn't let me go back. And then they brought those down who were wavering—Griggs was amongst them; Bell was amongst them. Seven of us altogether that were supposed to be wavering. They kept us all there [in a hospital] until explanations were over.

Q: Griggs, you say you believed in Communism at one time. Why did you change your mind?

Griggs: I actually—experienced reality.

Q: What stands out in that experience?

Griggs: You might say that the actual contradictions between what the Communists say, and what they try to put across to the world, and what they're actually doing—their intimidations—their threats—the actual feeling of the actual people in China—and the martial police system which we experienced. They'd say, "Why, we have no police state. Police are for your protection." They always said "for your protection." But the only thing we had to fear was their protection. The people wouldn't harm us—the people who were "protecting" us were the people who we should be protected from.

HATRED FOR COMMUNISM—

Cowart: There were people I've met who've sat down and talked to me about the present regime in China and the old regime, and I've seen them cry—and their tears—no one can imitate them or put them on as an act—showing their bitter hatred of the present regime in China.

Q: What sort of people?

Cowart: Common, ordinary people—the workers, peasants, and a few of the intellectuals—quite a few of better-class people in China—what you would refer to as upper-class people.

Q: What do you expect to happen when you get back to America?

Bell: It's beyond a doubt that we got to go through court. After I serve my term, if I get a term, then I want to do some political advocating.

I expect people to be sort of bitter. They won't quite understand why we went to China, why we left China. They really won't—they won't understand. It may be pretty rough. We may go to prison. If we do, we deserve it. If we can tell people what we feel and what we know about this side, that's also good, too.

Politically, I want to tell you frankly, I'm an American. We don't have a political setup like what they have in China. Even the smallest kid in China is indoctrinated with Communism. They are taught to shoot like soldiers. That's all I have to say.

Griggs: It's like this. I say, physically I'm no good no more. But what I really want to do—I want to fight 'em. But I want to clear—I want my name to be completely honorable. If I have to go to prison, I'm willing to do it. What I want to do, I want to fight 'em. I personally would like to go around Taiwan—because that's where I think they're going to start some hell. I want to be there because I hate these dirty dogs.

Q: Cowart, do you feel you might be in trouble for anything you did in prison camp?

Cowart: Possibly. In other words, I have the assurance that it is quite possible that I will pay for mistakes that I made.

(This page presents the opinion of the Editor. The news pages are written by other staff members independently of these editorial views.)

THE NEW TRUCE

BY DAVID LAWRENCE

THEY'RE MAKING A NEW TRUCE in Geneva this week.

It doesn't mean peace—and it doesn't mean war.

Each side will continue to build up its military forces, particularly air power.

Open hostilities will be avoided in Europe—just as now in Korea and Indo-China.

But this is a far cry from peaceful co-existence. It is co-existence, to be sure, but it can hardly be called peaceful. For the imminent danger of war will not have been removed.

It can't be removed as long as dictatorship governments in Moscow and Peiping have the capacity to disregard the wishes of the people and at any moment launch an aggression.

From 1945 to date, the aggressors of the Communist world have carried on their warfare, sometimes through puppet governments and puppet armies, sometimes with subversive elements inside some of the western countries reaching into Cabinets, parliaments, the press, the church and political parties.

This subversive activity is not to cease. International Communism has not yet been repudiated, or abandoned by Moscow, and will not be, because it is an instrument of aggression in the Western world as important to the Kremlin as are the Red military forces which dominate the satellite countries.

The Soviet-Chinese alliance is not as strong as the Western alliance. But it is fallacious to assume that the Communists are negotiating in a spirit of defeatism. It is more accurate to say they recognize their own weaknesses and seek a means of neutralizing those weaknesses by persuading the Western allies to stand still while the Communist regimes catch up in military and economic strength.

The Soviets intend to change their diplomacy mainly to ease the pressure which the West has been putting on them.

Undoubtedly, both Soviet Russia and Red China need raw materials and machinery. If, by assuming a peaceful mood and adopting conciliatory instead of blustering tactics, the East can persuade the West to modify the list of strategic goods prohibited for export to the Communist countries, it will be as big a gain as Communist imperialism could achieve.

So far as "disarmament" is concerned, the Russians are really proposing that restrictions on the use of nuclear weapons be adopted but that military forces be allowed to remain at virtually their existing strength. The Communists are thinking in terms of a military stalemate such as exists in Asia. They want to see Europe stabilized militarily for the time being. But this doesn't mean that the Russians are eager to reduce their own armies or that they will let up in their attempt to break down the North Atlantic Treaty Organization.

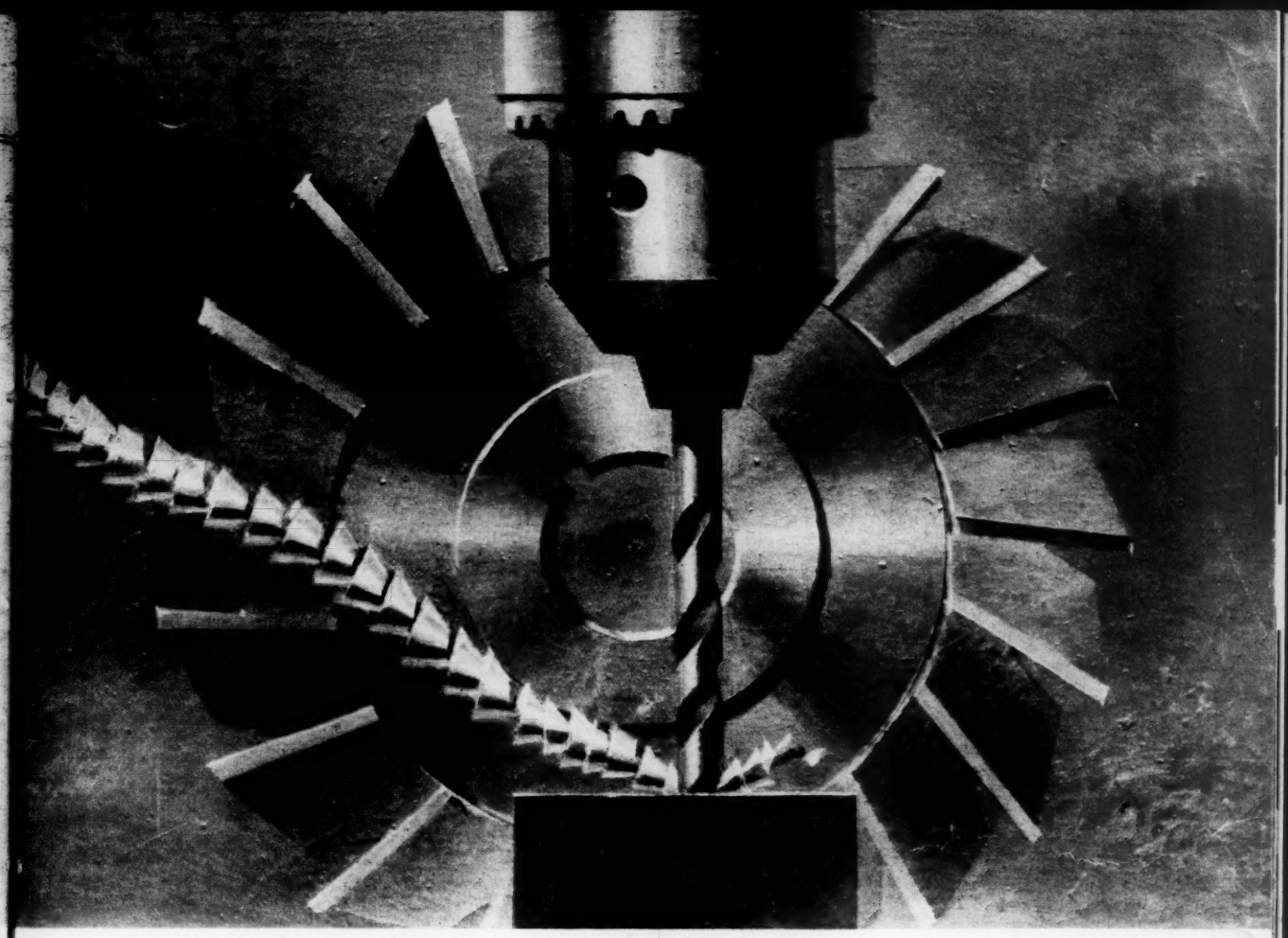
If by negotiation the Communists could bring it about that American troops are kept out of Germany and forced to return to the United States, this would be a great triumph for them. But the Moscow strategists are realistic enough to know they can't accomplish any such goal. So they will try to effect at least a military status quo in Europe. They really want a slow-down while they catch up.

All this may on the surface be regarded as a "relaxation of tension." There was, to be sure, a "relaxation of tension" when the Panmunjom armistice was signed. Most everybody in the West thought this was a warning to the aggressors. But the stepped up war in Indo-China came next and, after the Communists gained more territory, they agreed to a truce.

Now there is to be a new truce—primarily for Europe. But the situation in Asia will not be allowed by the Communists to stand still. Malaya, Singapore and Laos are in process of being won over to Communist influence. The next big objective is Formosa. The Communists will not be content till they have demobilized the 450,000 Nationalist Chinese troops which guard Southeast Asia for the Western alliance. Nor will they be satisfied thereafter, until they have demobilzed Syngman Rhee's 700,000-man army in Korea. Then infiltration of the Philippines becomes easy.

The whole business is a military game. That's why it's wrong to speak of the Geneva meeting as a conference to achieve peace. It's a truce conference that the President of the United States has gone 3,000 miles to attend. It merely postpones the clash that will become inevitable in future years unless free governments can be brought into being in Moscow and Peiping and in the satellite states.

In the sense that hostilities are averted or avoided, it may represent a breathing spell during which the germs of revolution inside the Communist countries can ferment to our advantage, despite the opportunity it also can give coincidentally to the dictators to build up their strength on the military and economic fronts. We will win in the long run because we are militarily strong and our cause is morally just.



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